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Paris,
April 8th, 1912.

My dear Wigham:

Very many thanks for your thought in sending on all the stuff with your letter of April 6th, and enabling me to waddle through the telegraphic maze. It all seems very complicated to one just off the train. The first telegram sent by you to New York embodied the one that we were drafting when I left Peking and I had been most anxious to hear what had been done with the Fiscal Agency idea. I am sorry to know that Addis has opposed it. His grounds may be sound and it may be impossible to secure Chinese consent to this measure. On the other hand I believe it well worth trying and think that there may be some hope that it could be put through. McKnight when in Nanking, in an informal conversation with Chen Chin Tao put the idea up to him and he rather liked it. Later after McKnight came to Peking, for it is his idea, we had a talk with the Acting Minister of Finance about it one day when he had come in to find out whether there was not some way of getting out of the hole into which the Belgian loan had forced them. McKnight and I discussed the Financial Agency idea in a very broad and entirely informal way, and he rather liked it said, in fact, that he thought something could be done with it if the Groups would consent to admit a Chinese Bank to the Agency. He later told us he had taken the matter up with Yuan and that Yuan had thought favorably of the scheme though he had of course made nothing in the way of a committment, merely told Chou Tzu Chi the man whom we were discussing the proposition with that he thought the idea worthy of serious consideration. If Tang retains his office of Premier, which when I left was open to doubt, he would almost certainly oppose the Financial Agency idea, for the very reason that should to us be most powerful in its favor, i. e., that it would prevent him from playing one Group off against the other.

The factors in the situation seemed to McKnight and myself to be as follows:-

By tonight's Edict Liang Shih Yi is appointed acting Minister of Posts + Communications.

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The Groups desired control.

They further wished to have the exclusive use of the markets for Chinese bonds, in other words they wanted a monopoly of Chinese loan business at least until the reorganization loan if undertaken was floated in its entirety.

The Governments also desired control, but they would perhaps be reluctant to insist that the Groups be given the monopoly regarded by them as essential.

Neither control nor monopoly could be secured from the Chinese in their present temper unless the Groups were given the unqualified support of their Governments.

The problem therefore was to devise some scheme which would secure for the Groups and Governments the control they deemed essential, for the Groups monopoly they required, and which at the same time would be least open to objections from the Chinese.

McKnight's Financial Agency plan we regarded as best suited to this end. Hillier, and Cordes, as well as Mayers and Casenave did not at first agree with our views. They made various other suggestions and drafted a number of telegrams to which McKnight and I objected until we had convinced them or thought we had that our plan was the best. They then joined in the telegram for the Four Groups. Whether Hillier and Cordes did so with reservations, which they privately telegraphed to their principals I do not know. I am inclined however to think that this was not the case, as though we had strenuous arguments over each detail of the plan, when I left the meeting at noon on the twenty sixth everyone was in perfect accord and the telegram finally sent was practically identical with the one we were working on when I left.

The considerations which influenced McKnight and myself and which exentually appealed to the others were the following:

A Financial Agency Contract embodying general control provisions which would govern the supervision of the expenditure of all loan proceeds whether such loans were for administrative expenses or for industrial undertakings could be drawn by the Groups, in consultation with their Governments, whose approval for such control provisions would of course be necessary.

Such contract would besides stipulating control assure to the Groups the exclusive right to issue Chinese bonds for a term of years.

The Chinese would not resent the "monopoly" feature of the Fiscal Agency contract as bitterly as they would a provision in an agreement for a specific loan that they should not be entitled to borrow elsewhere until

such loan was floated in entirety, for they would by appointing the Groups their Financial Agents acquire certain obvious benefits for which they would naturally expect to give the Groups special advantages.

The Governments would be less open to criticism from other Groups organized amongst their nationals if they acquiesced in the Financial Agency contract, a business transaction between the Chinese Government and the Groups, than if they supported the Groups in obtaining from the Chinese a 'monopoly' stipulation in an agreement for a specific loan. It is admitted that the Governments would have to express to the Chinese their views regarding control. Such expression however would be more palatable to the Chinese if (A) the Legation at Peking informed the Chinese that they would not sanction loans to China by their nationals on control terms less stringent than those provided in the proposed Financial Agency contract, than would be (B) a public declaration made to the markets of Europe and America as well as to the Chinese that the Governments would not support loans to China except on certain general control conditions. The former of the two suggested courses would be much less humiliating than the latter.

By taking action as suggested in (A) above the Governments might secure to the Groups the monopoly feature which they desire without directly excluding their own nationals or pressing the same specifically upon the Chinese.

Granting that both the Governments and the Groups deem control essential, while the Governments while recognizing the necessities of the situation feel themselves embarassed in actively aiding the Groups to obtain the monopoly they require, it would seem that the Financial Agency plan would best secure the ends of both Governments and Groups.

The Chinese will resent and resist any form of control. If both Governments and Groups deem it necessary, however, it remains to secure it with the least possible friction. The Financial Agency scheme has the advantage

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that it would save the Chinese face in that the Chinese would be placed in the position of employer while the Groups would be employees. Representatives of the Financial Agenc, charged with the supervision of the expenditure would owing to this fact be, as Addis suggests in his scheme, the servants of the Chinese Government, and it was this consideration, above all others which made us feel that the Financial Agency plan was the most feasible, and most likely to be acceptable to the Chinese themselves for the very reason stated above, and anticipated by Addis.

From the point of view of the Groups moreover, we deemed that the Financial Agency plan had numerous advantages chief among which was the fact that we would be assured the right to make all Chinese issues during a certain period and would be free from the competition which now threatens to make matters difficult not only for us, but for our Governments, and which if pressed in China and with the various Foreign Offices may make it impossible to secure even a shadow of control.

I myself feel that China, although her credit still seems to be remarkably strong, is in a very bad way, and I believe that our Governments must face a very clear issue, i. e. either they must be prepared to carry intervention to the length even of undertaking administrative responsibility, or they must frankly make the Groups their instruments, support them in making the advances which alone will prevent the present chaotic conditions from drifting into a state of anarchy which will make intervention inevitable, and by diplomatic means give the Chinese to understand that they must submit to a certain measure of foreign control. The latter alternative would seem by far the less dangerous of the two.

Furthermore, since the Governments have insisted that we must admit Russian and Japanese participation, and have invited Russia and Japan to designate Groups, who shall act with us, it would seem to me that they virtually have recognized us as their financial instruments. Surely they cannot in good faith ask the Russians and Japanese to join us on the onehand, and

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on the other permit the competition of Groups of our own nationalities which would render fruitless the association into which Russia and Japan had entered on invitation.

That being the case it would seem to me that by far the best solution of a by no means simple problem would be for the Governments to acquiesce in our obtaining and even assist us to secure the Financial Agency.

In one of the telegrams I note that Addis has been willing that Odagiri should join the deliberations of the representatives at Peking. Is this not a rather extraordinary proceeding when the terms of Japanese participation have not been arranged? It would seem so to me. How do we know that they will accept our conditions, or does it perhaps mean that they are to be admitted on terms which they themselves shall prescribe.

In the papers I note the formation of a Franco-Japanese Bank, destined so it is reported to handle the Japanese share in Chinese loans. This is apparently engineered by the same people who are behind the recent Belgian loan and who, through the Banque du Nord control the Russo-Asiatic Bank which, I understand has been named as the Russian representative in our combination.

It would appear then that the Russians and Japanese without floating power of their own intend to take up their share of Chinese issues and place the same on the Paris and perhaps the London markets through this Franco-Belgian English Group. Will this be tolerated? Should not our Groups insist that Russia and Japan if they enter our combination do so on the same terms as those on which the Americans were admitted to association with the Tri-partite Banks i. e. that if they take up their share they must issue on their own markets (which we know they cannot do) or else request the four Groups to issue for them on a one percent commission?

I note too that Russia is willing to enter our combination only on condition that the predominant influence of Russia and Japan in Manchuria and Mongolia is recognized. As stated in our joint memorandum regarding the

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Currency Loan I fear that such recognition is inevitable because we cannot count on the support of our Governments in any other attitude. I sincerely trust however that the Groups for the sake of their future business with China will not be parties to any such transaction. The Governments have brought in Russia and Japan. Let them recognize their special position if they want to, but keep it out of the Inter-Bank Agreement when the instrument is amended or extended to bring in our new colleagues.

It would seem to me highly desirable that this whole matter should be threshed out and settled before the Groups go much farther in admitting the Russians and the Japanese to our counsels. Otherwise we may place them in possession of considerable information and later find that they do not care to join us.

I fear that this is pretty roughly expressed for it has been pounded out rapidly to catch the mail in order that you may get it in the morning.

We had a most comfortable trip over and are glad to be back in civilization. Dorothy is getting clothes but thinks she can get away Sunday. If you wish me to I can come over on Wednesday and then come back here to bring her over, but if there is no cast iron hurry I shall stop on here and be on hand at the office next Monday. Please telegraph me what you wish me to do.

I wrote Grenfell some time ago asking him if he could get a man for me. I wonder if he ever received the letter. If not never mind, we can find one when we come over. But if he did secure somebody I wish the gentleman would come here at once to assist in carting baggage across the channel.

Trusting you are hale and hearty and looking forward to seeing you soon,

Yours ever,

Charles F. Whigham, Esquire,
London.

10th April, 1912.

Dear Whigham:

Re-organization Loan.

I have your letter of the 9th instant enclosing copy of telegram from the American Group expressing their fundamental agreement with the views expressed in my letter to M. Simon on the 2nd April. The French have also given their provisional assent and a telegram today from the German Group informs me of their general agreement provided, as I opined, it should be found impracticable to carry out the conditions proposed in our Peking Representatives' telegram of the 27th March.

I think we may say, therefore, that the British, French, German and American Groups are now agreed that, if better conditions of control are considered either inexpedient or unattainable, they will be satisfied with the appointment of foreigners, as officials of the Chinese Government, for the collection of revenue as regards security, and, as regards expenditure, by the right of veto conveyed by the counter-signature of a foreign official to all requisitions on the loan funds and by the appointment of a foreign auditor and accountant.

I understand that the American Group would prefer that the Groups should be appointed the sole financial Agents of the Chinese Government for a period of, say, 10 years, but are willing to waive the point if, in the opinion of the Groups, it is considered inexpedient to press it.

I shall be obliged therefore if you will kindly lay before them for their consideration the reasons which, in my opinion, render such a scheme inexpedient.

In the first place, I do not think it would be good policy to press upon the Chinese Government a proposal which would almost certainly arouse the antagonism of the Provinces. I have seen nothing in our relations with the Republican Government which would lead me to expect a better reception

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than under the old regime for a measure conferring upon foreigners administrative - as opposed to advisory - functions in the Chinese fiscal and financial systems.

In the second place, the proposal would arouse the jealousy of other Groups and cause embarassment to our Governments, who might find it difficult to lend their support to what would mean a practical monopoly in favour of their respective Groups.

In the third place, I am of the opinion that not only would the proposal to create the Groups financial agents prove ineffective qua reform inChina, but it would also prove ineffective as regards its supposed advantages to the Groups.

Theoretically, the Chinese are to receive the best price that can be obtained and charges are accordingly reduced to a minimum in consequence of the Groups being supposed to be divested of the responsibility for the successful issue of the Loan. In practice, however, it is found that whether the loan is taken firm or on commission it makes no difference; in either case the Groups will, by force of circumstances, be led to accept responsibility in the future as they have done in the past. Experience has also shown that in practice the Chinese have never been content to allow the Groups a free hand as regards the price of issue and the consequence is that this has been settled by the higgling of the market in the same way as if the loan had been taken firm.

Finally, there is the difficulty - all the greater now that there are six groups to be considered - of arriving at a common measure of the varying charges which prevail in the countries of issue.

Yours truly,

C. F. Whigham, Esq.,
Messrs. Morgan Grenfell & Co.,
London.

Paris
April 10, 1913 [1912] pg

Dear Whigham:

Many thanks for your two letters of yesterday. I have written Grenfell today about a talk with Leschaulme who agrees with the Financial Agency idea, and who also told me that he agreed to New York's suggested telegram re the Currency Loan. As I wrote Grenfell I personally think that since we've admitted the principal of Russian and Japanese participation we can't keep 'em out of the Currency Loan, and therefore I am inclined to the view that it will be necessary to incorporate it with the Reorganization Loan if that be undertaken. I may be wrong in this but such would seem to be the handwriting on the wall.

Many thanks for your telegram telling me that I can stay on here till Sunday. We will come over on the morning train and I shall be down about ten Monday morning if that will suit.

Thanks too for your news about the varlet. I hope one is to be found.

Yours,

Charles F. Whigham, Esquire,
22 Old Broad Street,
London.

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[4-11-12]

Paris,
April 11th, 1912.

Dear Whigham:

Many thanks for your letter of yesterday received this morning, and for the copy of the telegram regarding the Currency Loan enclosed therewith. I take it that you have this China business under your wing at present and shall therefore write you and not Grenfell about my talk this morning with Berthelot.

We covered the whole Far Eastern question and settled the fate of the universe but aside from that there were certain definite points that may interest you.

Currency Loan

Berthelot felt very strongly that since we were taking in Russia and Japan into our combination it would be impossible to place the Currency Loan on a shelf as it were, especially since our request for an extension of time was being made subsequent to acceptance of cooperation with us by these two powers, who had objected so strenuously to Article VXI of the original contract. He held furthermore and it seemed to me with reason, that Currency Reform was but one of the features of

General Reorganization

which the Groups would now be called upon to finance, and that while it was last year necessary to consider Currency Reform as a separate undertaking, it should now be made part of the general plan for the readjustment of China's administrative machinery, the scheme for which should be very carefully worked out by the interested powers.

He proposed a conference of the powers to consider the general situation in China, and thought that the initiative in calling such conference should be taken by England, or the United States. He preferred the U. S. In reply I said that I doubted if Knox would make such a proposition unless France and England should suggest that he do so and assure him of their

cooperation beforehand. I further pointed out that if such conference were called it would be necessary to invite Austria, Italy, Belgium, etc. to participate. To this he objected, informing me that the Austrians already had requested admission to the Groups and had been refused.

The following idea was then developed, that the end he desired could be best obtained if China should appoint the Groups its Financial Agents, the Groups then to undertake the advances necessary to carry on the administration during the period prior to the convocation of the new national assembly. This appointment would place the six ministers in a position to consult together and to confer with the Chinese and at the same time to exclude the other foreign representatives which would not have been easily accomplished if a conference had been called without the designation of the Groups as financial agents.

Berthelots idea was that such conference should consider the question of currency reform, of increase of the customs duties, of the establishment of proper mining laws and a scheme for national railway development, the abolition of likin, and certain other matters regarding extra-territorial administration, the purpose being to secure as complete accord as possible between the six Governments most vitally interested to the reorganization of China after her recent upheaval. These questions concern the Governments more than they do the Groups, but if they could be threshed out now, after the Groups had been appointed Financial Agents, our position would be infinitely stronger, and the prospects for profitable business under a regime whose permanance was guaranteed by such an international agreement, much brighter than if the matter were allowed to drift along as at present.

As stated above Berthelot was unhesitating in his approval of the idea of the Financial Agency, and concurred in the idea that the Governments could more easily press for the appointment of the Groups in this capacity than they could make a public declaration regarding their unwillingness

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to support their nationals in loans not stipulating a certain measure of control.

His plan to have the six Governments get together on the programme they wanted to follow in China struck me as excellent and as constructive, for I cannot see that the present policy of drift and general interchange of views between the Governments will get us anywhere. It certainly will not unless they secure our appointment as Financial Agents for without that confusion will only become worse confounded.

Franco-Japanese Bank

Berthelot as well as Leschaulme thought that Messrs. Spitzer and Noetzlin were working at this proposition as well as through the Banque Sino-Belge with the idea of handling the Russian and Japanese shares of China business on the London and Paris markets. All agreed that the Russians and Japanese should come into the combination on conditions similar to those which governed our entry.

They both felt that it might be wise to let the Russians give the Belgians a sub-participation, in order to tie them up, but that if such were given, it should be clearly stipulated that only such subshare, and not the entire Russian and or Japanese portion should be issued in Belgium, the balance being either issued in Petersburg and Tokyo or by us on commission for the Russians and Japanese, on our four markets.

I will let Morgan Harjes have a copy of this letter. Berthelot said he would take up the question of the conference and the prior appointment of the Groups as Financial Agents with the British Government, and hoped that these two Governments might suggest that the Americans induce the Chinese themselves (thus saving their face) to invite the six powers, whose banks were appointed Financial Agents, to consult as to the general plan of reorganization for China. The six powers would handle the Austrians Italians and Belgians, Montenegrins, Swiss and the rest as they deemed best.

Yours ever,

Charles F. Whigham,
22 Old Broad Street, London

Paris,
April 12th, 1912.

Dear Frank:

Your letter of the twenty seventh March reached us yesterday and I was glad to hear from you, for I assure you our thoughts have been much on Peking during these two weeks and more that we have been away. Your letter sounded lonely which is complimentary for us and unpleasant for you, but by this time we hope that you have shaken yourself into a pleasant rut which you will like better as time goes on.

We had a very quiet and enjoyable trip. Forbes the Governor General of the Phillipines was on board and we saw much of him, and Dorothy was very quiet which did her good after the rather hectic exit which we made from Peking. Here we have been busy she in getting clothes and I in trying to spread the few things I had to do over the sixteen hours per day which were not spent in bed. Harjes is still in New York with his wife and new baby but sails for Europe on the twentieth on which same date Mr. Bacon leaves for home, Herrick arriving in Paris on the eighteenth.

I have seen the Banque de L'Indo Chine people several times and also Berthelot the man who runs the China end of the French Foreign Office. All have eaten from the hand. As far as I can gather Addis has taken the tack that it would be impossible to secure the Financial Agency, and has proposed a formula of control approximating that which Hillier had in mind before he was argued over. This he has sent around to the various Groups., All have said that they thought his formula gave sufficient control, and that they agreed in principal. New York and Berlin stated that they preferred the Financial Agency but would be content with Addis's formula. Paris merely said that they would agree to Addi's proposition. When I explained to Simon and Berthelot however, the exact idea of the Financial Agency, and told them of your talk with Chen and our conversations with Chou Tzu Chi, they were enthusiastically in favor of standing out for the Financial Agency, and of not letting the present opportunity go by without making an attempt to secure it. This of course tallies exactly with the American and German idea. I have informed Grenfell of these conversations with the French and also explained to him the position regarding the agency. He is apparently not entirely convinced as yet, but we go to London tomorrow and I hope to be able to present the matter to him and to Addis in such a light that they cannot fail to insist that we have a try at the Agency anyway, and if that fails we can go back to the other scheme proposed by Addis which to my mind would be more objectionable to the Chinese than our plan, and which would have the serious fault that it would leave the whole question of control to be argued out for each successive loan.

Addis in his letters to the other Groups has blithely dismissed the Financial Agency proposition with one or two arguments through which one can drive a taxicab. As a matter of fact the whole performance shows the cloven hoof of our old friend the Hongkong Bank, and the antiquated methods of what Putnam Weale in a recent telegram of his called "Treaty - port finance". I think that Addis is influenced by two chief considerations, 1, that if the Six Groups were named Financial Agents the premier position of his Bank in China would be somewhat prejudiced, and 2, his fear that if the Financial Agency scheme goes though he will have to create a really representative British Group and admit others to the profits of floating Chinese issues. He therefore for purely selfish reasons advocates a policy which may

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inure to his immediate benefit but which if agreed to by the other Groups will prove an ultimate disadvantage.

In this view the French are inclined to agree. Simon and Berthelot both thought the British the weakest link in our chain because there is but one British institution while the rest of us are powerful Groups. These men both felt that the Hongkong Bank should organize an English Group by admitting Schroeder, and Sassoon if necessary. The British Foreign Office has been trying to get Addis to do this but as yet without success. However I am in hopes that he will be forced to take such a step and that we may then be able to force through the Financial Agency which looks better to me the more I argue about it.

In talking with Simon yesterday it developed that he felt that while we could not force Addis to organize a British Group the other three Groups might insist upon the Financial Agency and thus oblige Addis, if he cannot get the support of the British Government for the Honkong Bank alone, in undertaking such a scheme, to so enlarge his Group that his Government will be willing to stand behind him.

The French were extremely friendly, and seem to have lost much of their former suspicion, of us and our motives. I presume that this has largely been brought about by Casenave and de Margerie, and by the American consent to admit Russia and Japan.

New York apparently desires to keep the Currency Loan for the four Groups, and to exclude the Russians and the Japanese. Personally I am of the opinion that such a position is untenable and think they will be obliged to embody the Currency Loan in that for general reorganization, one of the most important features of which must be Currency reform. Furthermore, in admitting Russia and Japan to participation in our undertakings we have recognized the strength of their position, and it seems to me it would be the heighth of folly to try and handle the Currency loan separately and thus have a row, as we certainly should with Russia and Japan, at the very outset of our cooperation. I sympathize with New York's position but do not think they can get away with it.

Berthelot developed a very interesting idea on the following lines. That the Groups should now, when our difficulties with the Chinese are patched up, if they are, go on making the monthly advances as required, but that before the reorganization loan was floated the Governments concerned should in conference decide the general lines which such reorganization was to follow: i. e. currency reform, revision of mining laws, preparation of a railway building programme, Customs revision in connection with the abolition of likin, revision of certain features of the present status of foreigners in China under the stipulations regarding extra-territoriality, etc. etc.,

After discussing the difficulties which might be created by Belgium, Austria, Italy, Holland and the other powers who must necessarily be excluded from such conference, he agreed with the idea that the best scheme would be for the Groups first to be appointed Financial Agents and thus place the six Governments in a position to consult with each other and confer with the Chinese not as an international conference but as the Governments of the powers represented on the Financial Agency. His idea was that the Conference should be called by either Great Britain, whose commercial interests predominate in China, or by the United States which has no European entanglements. This recommendation he had already made to the Minister of Foreign Affairs. He wasinclined to think that the Americans would be the best to initiate such a scheme, as he found the British Government's attitude rather

wobbly. He finally thought that the best scheme would be to have the Groups appointed Financial Agents, then to have Great Britain and France request the United States to induce the Chinese themselves to ask the Ministers to consult as to the general reorganization scheme. This plan he said he would proceed with at once.

Of course this may all be going ahead much too fast, in view of what seemed to be the increasingly confused conditions in China. (This from the meagre reports we read) However it is a step in the right direction it seems to me. My opinion, and I trust you will contradict if if is wrong, is that things have been going steadily from bad to worse and that no stable conditions can be restored until this financial problem is solved; that in its solution the Governments will have to take an active hand; that to do this they must frankly utilize the Groups as their Financial instruments; and therefore that they must, and the sooner the better, stop exchanging pleasant diplomatic correspondence, and looking facts in the fact and not through spectacles of expediency, determine what they want, how they want to get it, and what they will do if they do attain their ends. Governments hate facts of course for they are always embarassing, but it seems to me that the time has come when they must face them, if anything is to be brought out of the present Chinese chaos.

Please show this letter to Casenave and Mr. Calhoun if you will. The Berthelot part of course is interesting, but it is of no immediate significance save as showing the trend of affairs. If the French Government acts along the lines Berthelot discussed it will all get to Washington in due time. I have told Mr. Bacon about it anyway, so that nothing need be done at Peking, though the Minister might like to have the dope.

ffrench came over to meet us and looked very well, but he seems rather up against it poor chap. He had planned to go out and try to make a claim against the Chinese and Jordan had been instructed to support him, but wired that there was no use in attempting anything just now. In London I shall meet Max Muller and discuss your Baby with him, and hope that we can push it through, even though Mr. Addis is yet to be converted.

Give our love to the Calhouns, to old George, Summie and the Catrells. Write often for as I wrote you we are anxious to have all the news. I shall try to keep you posted as to the campaign at this end.

Yours,

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Telegraphic Address: "BRENTANOS."
Telephone: 105-62.

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PARIS, Apl 13th 1912

Mr Willard D. Straight
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17th April 1912

Dear Frank,

I have your letters of March 30th and April 2nd, and I enclose herewith a letter to Henningsen regarding the question of insurance, in accordance with your suggestion.

We reached London on Sunday afternoon and are comfortably settled, I presume for the next six weeks or two months, as we expect to have a Conference somewhere about the beginning of May and New York desires me to remain here.

As I wrote you from Paris, your scheme for the Financial Agency appealed to the French. I had a long talk about it here yesterday in the Office, and also with Addis. I find that we have apparently been working under a misapprehension, as there seems to be no intention at present to admit either Russians or Japanese to the Inter-group Agreement, the proposition being merely to admit them to a share in the Advances and in the Reorganization Loan. That being the case I am not at all sure that the Financial Agency Scheme is the best plan, for, if it were carried through we should find ourselves tied up with Russians and Japanese for the term of the Financial Agency Contract, while under the formula proposed by Addis, we should be associated with them only in the Reorganization Loan. Of course, once they are admitted to participation with us in a Loan of the magnitude now contemplated, the probabilities are the association will be a permanent one, and it might perhaps be desirable in view of this fact to make the best of our present opportunities and push through the Financial Agency, if that were possible. There are however, arguments on both sides, and I must confess that I myself am by no means convinced that in the circumstances the Financial Agency Scheme affords the best solution.

I think that perhaps you are right in what you say about the danger of making a commitment for a large loan except an arrangement similar to the

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Financial Agency Contract. I quite agree with you that China is not now in a state which would warrant our going in too far. This matter, however, will have to be thrashed out in the few weeks prior to the Conference, and I hope that we can come to some satisfactory arrangement amongst ourselves before we are confronted by our Russian and Japanese friends.

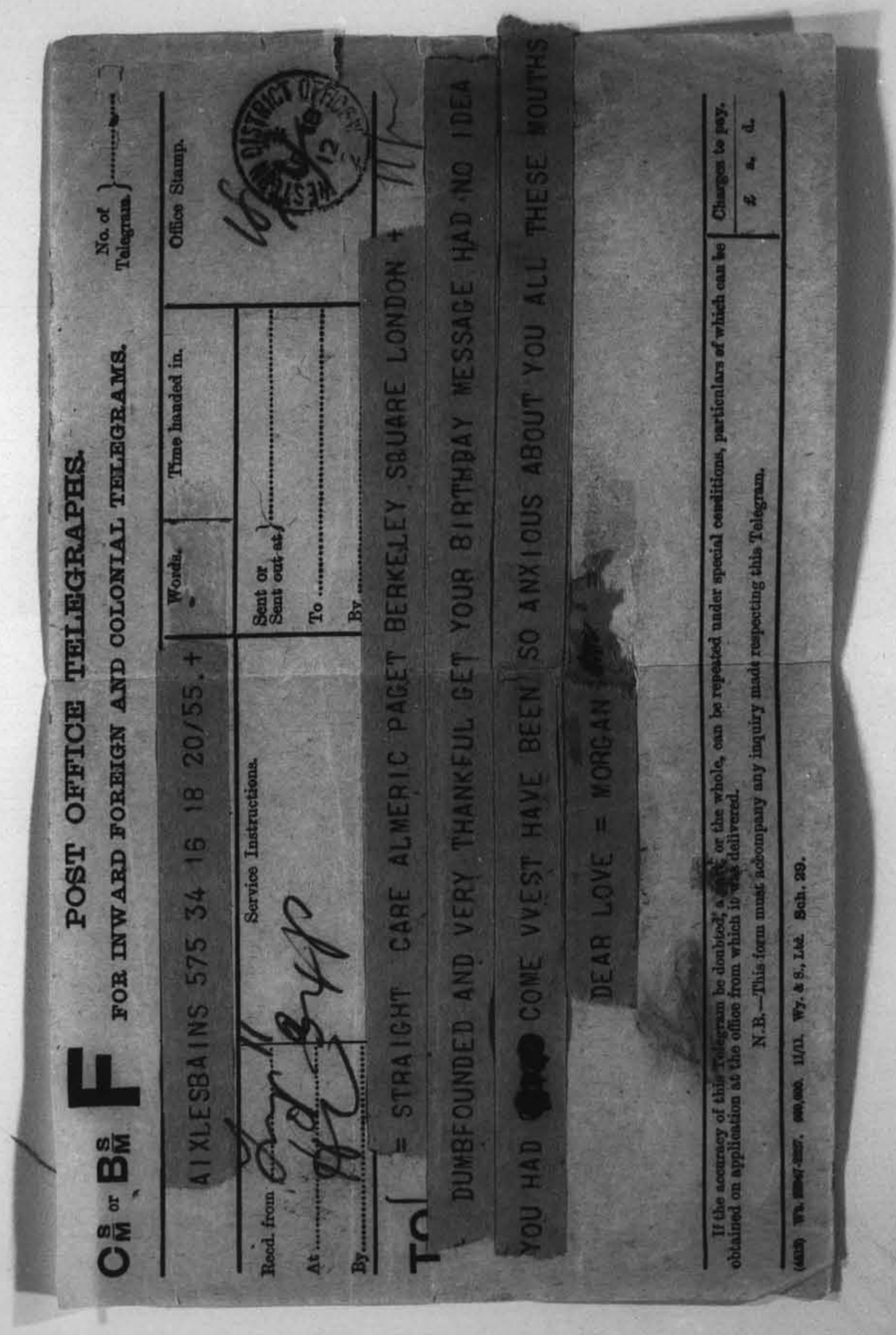
I am glad that you have taken up Riding, as it will make a great difference in your general point of view about things Chinese. Do not be too hard on Hillier for not knowing much about the finances of China, for if he does not I doubt if you will find anyone who does, in fact the whole thing really requires Christian Science treatment, you have to take almost everything on faith and base your calculations, not on statistics but on the promise that you are dealing with a Government of some 350,000,000 industrious and frugal people who inhabit the Country, the resources of which have never been exploited, and who have never been taxed to an extent even approaching what they could bear. This perhaps will put the matter in a different light.

Everyone here is terribly cut up about the 'Titanic" disaster. We hope that the reports are not entirely true, and that better news will come in later, but it looks now as if the disaster had been most appalling.

We speak very frequently, and hope that everything goes well with you. Dorothy would join with her love did she know I was writing.

Yours,

F. H. McKnight, Esq.,
American Group,
Peking.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AIXLESBAINS 575 34 16 18 20/55.+
Service Instructions.
Rec'd from
At
By
GET BERKELEY SQUARE LONDON +
= STRAIGHT CARE ALMERIC PAGET
GET YOUR BIRTHDAY MESSAGE HAD NO IDEA
DUMBFOUNDED AND VERY THANKFUL GET
N SO ANXIOUS ABOUT YOU ALL THESE MOUTHS
COME VVEST HAVE BEEN SO
YOU HAD
DEAR LOVE = WORGAN
Charges to pay.
£ s. d.
If the accuracy of this Telegram be doubted, a repetition of the whole, can be repeated under special conditions, particulars of which can be obtained on application at the office from which it was delivered.
N.B.—This form must accompany any inquiry made respecting this Telegram.

The Willard Straight Papers at Cornell University
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20th April 1912

Dear George:

Your letters 1. and 2. have reached me here and I am very glad that you have so fully and so clearly expressed your views on the political situation. What you say about the Russians and their desire to break up the Four-Group combination is I fear true, and with you I believe that our best policy will be to work as closely as possible with the Japanese.

As you already know from the joint Telegram sent by the Hong Kong Bank the day before yesterday, the Groups are quite in accord with the views which you express as to the necessity of forcing the Chinese to recognise that in signing the Belgian Loan they have violated our Contract.

They may be unwilling thus to lose faith, but everyone here is of the opinion that we cannot afford to go on lending money unless the Chinese are shown and recognise the fact that in dealing with us they must act in good faith and live up to their obligations.

As I have written to Mc"night, I saw M. Simon and M. Berthelot in Paris and had with them most interesting talks. We are now in the midst of preparations for a new Conference in which we expect the Russians and Japanese to participate. Carter, who if you do not know you have probably heard about, who was formerly Consul of the American Embassy here and later Minister to Roumania, is now attached to J. P. Morgan & Co., and he and I are starting off next week to have a talk with the Germans and with your people, in order that we four may be in accord before we meet our new friends. I shall write you more fully later. This is just a line to catch the Mail.

We both miss you very much and Dorothy and I wonder how you are getting along. We both send our love and hope that we shall all be together again before long.

Yours,

M. Casenave, de l'Indo Chine, peking

22nd April 1912

Dear Frank,

Your letter of April 8th came in this morning. Your views on the general situation are certainly not encouraging, but I am glad that you are finding some way of amusing yourself, as I can assure you that in Peking it is quite as essential as having a good office and an able stenographer.

In the letter which I wrote you from Paris I expressed myself rather fully on the subject of Mr. Addis, and I regret to say perhaps somewhat hastily. The premises were, however, I think quite correct, and in view of later developments I am still of the opinion that he was actuated by many of the reasons set forth in the letter referred to, but at the same time, as I pointed out to you in my recent personal telegram, the fact the Russians and Japanese have accepted participation for the Reorganization Loan only, caused me entirely to change my views as to the desirability of pushing the Financial Agency at this time. From what I have been able to gather in Paris and London, - I spent an evening with Max Muller of the British Foreign Office recently,)- the British Government fearing complaint from the rivals of the Honk Kong Bank in London, would probably be unwilling to support the Financial Agency plan, while neither the Russians nor Japanese have been very keen to co-operate with us and would it is feared, have been inclined to 'jump the game', if the Groups should have brought forth the Financial Agency plan after these two Powers had consented to participate in the Reorganization Loan. Russia, as far as we can make out, first tried to block us on the ground that we had excluded her from our combination, and now that she has been invited to act with us, is by hook and crook, it would seem to me, trying to make co-operation so difficult as to be almost impossible, unless we are very patient, not to say long suffering. With the present political line up, however, I presume that the

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four Groups will be meek.

Carter, of whom you speak, is now in London. No one seems to know exactly what his functions are to be, but it would appear that J. P. M. & Co. have taken him on as a sort of an all-round diplomatic man to work either in New York or in London, Paris or Timbuctoo, as the case may be. He has been doing China since he has been in London, and he and I start tomorrow morning bearing olive branches to Hamburg, Berlin and Paris, hoping that we can get joint action from the four Groups and agree upon a programme to which we four at least will adhere before we meet the Japanese and Russians at the Conference which has been called in London for May 13th. Carter has a most charming personality and is very well known and popular both here and on the Continent, and his services should be of the greatest value to the Group, as I presume that eventually if the Reorganization is worked out along the lines which we discussed, he would be far and away the most suitable man for the London job of which we spoke.

I will drop you a line from Berlin and from Paris and let you know how we get on, provided of course I have the time and energy to stick paper in my typewriter.

Dorothy is quite well but will not go with us to the Continent, as I fear the rapid travelling would be bad for her. She expects to spend the time at 'Deepdene' where you came to lunch last summer. She would send her love did she know I was writing. Let me know how Bill is getting on - I mean the Dog -

Be good, and write often

Yours,

F. H. Knight, Esq.,
Peking.

Just escaped from Hamburg,
April 24th.1912.

Dear Whigham;-

This is written on the train in order that it may be mailedtonight . I trust therefore that you will forgive typographical errors.

We met Warburg and Melchior this morning. Warburg started out by reading to us the gist of a telegram seht him by Spitzer at the close of the Belgian Group conference yesterday. In this message Spitzer said that his people wanted;-

1. Recognition by the Groups of the advances made by the Belgians to China.

2. Indemnification,in the shape of participation granted by all six Groups , not by the Russians alone, in the six-Group business, for the sacrifice by the Belgian Group of the rights they held under their contract withnChinese for future loan business.

3. The right to issue the entire Russian share as well as their own sub-participation granted as above.

4. That Schroeder should be recognized as a house of issue in London.

5. That the foregoing arrangements should be contingent on our coming to an understanding with the Russians which Spitzer deemed probable.

6.He also wished to know whether,if the foregoing conditions were acceded to by the Groups, we should have any objection to the Belgian syndicate continueing to do business in

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China along lines not conflicting with our own, and if so, what those lines might be.

Warburg then gave a long spiel the object of which seemed to be that he thought it desirable that the Belgians should be squared and also that he felt that the recognition of Schroeder as an issuing house would entitle M. C. & Co., and incidentally M. M. Warburg & Co, to demand a similar position.

We took the line , as instructed, that we could not feel that the American Group stood to profit by a recognition of th Belgians, that we thought there would be no objection to their receiving a ~~pxrx~~ sub-participation from the Russians, and that You did not feel entitled to ask for recognition as an issuing house in London, and did not think that the other "American Agents" could very properly do so. This point was then dropped. We further pointed out ;-

In answer to his point one,that since the Ministers had protested against the Belgian contract and demanded that the Chinese recognize its conclusion to have been a breach of their engagement to us under the agreement of March 9th., that we thought it impossible that the Groups should recognize these advances . We thought that as stated in the telegram to Peking of ~~Mxx~~ April 18th., we could ignore the same , and that when the time came for China to repay them that this obligation might be considered by thenGroups as one of the liabilities of the Chinese Government which they- for the liquidation of the Groups- would be prepared tp advance funds.

In answer to point two we said, as stated above , that we thought there would probably be no objection to the Belgian Group receiving a sub-participation from Russia but that we could not see why the fourGroups should contribute thereto.

In answer to point three, we said that we thought that this question would have to be decided by the conference.I took the liberty of suggesting however, that if the Belgians had a sub-participation from Russia , which would necessarily be recognized by the other Groups, it might be possible that the four Groups would concede that under Article 4 of the proposed agreement Russia might ask ~~xxig~~ the Belgians to issue for her. We said however that we did not think that the Groups would allow the Russians to issue any portion of their share in London and Paris through the French and British members of the Belgian Group , but felt certain that if they wished to reach these two markets they would have to do so through the Banque del'Indo-Chine Group amd the H. & S. Bank.

In answer to point four we said that we felt sure that Addis would not consent to have Schroeder as an issuing house for London, and pointed out that if he was any number of other people might claim like consideration.

In answer to point six we said that it would of course be difficul to express an opinion as we did not think the Groups could claim an absolute monopoly of Chinese business. We did think that in all probability there would be no objection to the Belgians doing tram-lines, and various municipal things.

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Warburg said he would write to Spitzer along the lines indicated above. We gave him clearly to understand that we had no plenary powers and did not wish to be placed in a position of any kind vis a vis Spitzer whom we thought it much wiser to ignore as we did not see that our position necessitated any negotiation with him. Warburg plainly thought it would be a k mistake to close tis back-door game, but said that he would in his letter say that his conversation with us was general but that at the conclusion thereof he "imagined" certain things which he gave Spitzer confidentially. He later showed us the letter he had written which seemed innocuous ,though we were neither of us pleased that he felt it necessary to write at all . We could do nothing more without friction, that was obvious, and Warburg laid sufficient stress on the non-committal character of our conversation. It may be just as well that Spitzer should know that we are not in favor of compromise, and surrender to the extent he apparently desires.

We next discussed the Currency Loan. Warburg seemed to hope that we could issue this as a four -Group loan even before the reorganization loan. Notwithstanding New York's attitude on this point I believe that would be very difficult for having asked Russia and Japan to join us we should have trouble with them if we attempted to go ahead without deleting Article XVI , and if we did take out the objectionable article we should lose face withthe Chinese. In any case I presume that the Russian and Japanese Governments would object under present cisrcumstances to any Chinese loan in which they

did not have a share. That being the case Article XVI would seemed doomed, and to my mind the best way to lose it and save our own face is to embody the Currency , with the Reorganization loan, quietly dropping the Manchurian features to which Russia and Japan objedt overboard in the process on the ground that China has so much to do in setting her own house in order it would be a mistake now to press Manchurian development. Furthermore Chen Chin Tao told McKnight that China could not start Currency Reform until she had the new administration installed and order restored, which he thought would take some two years. That being so he thought they would not need the currency loan at once, and that being so do you not think it would be a mistake to have the four-Groups sppi ng a loan when at the same time they were acting with the Russians a and Japanese? Aside from the political difficulties which would be great there might be other purely financial objections.

This was Warburg's view, and in it we both shared.

As to the draft Agreement . In my wire today I asked you to persuade Jones to give nothing to the Japanese and Russians until our return. Warburg suggested some changes which are not to be ignored, and the Germans and French may have further ideas. ~~ifxthenxwexletxthexRussx~~ Most of these will be made woth a view to tieing up our two new pals, and it would therefore seem wiser not to let them have anything until we ourselves know exactly what we want.

Warburg asks if the old Inter-Bank Agreement must be amedned to take congizance of this new loan and the agreement with the Russians and Japanese.

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Warburg asks as to Article II , what would be the case if the four Groups should wish to go ahead with a series of the loan to which the other two for purposes or one of them objected. Would those who wished to proceed be entitled to do so, and if so, should this not be so expressed.

As a matter of fact I doubt if such a case would arise as I presume the four Governments would not be willing that we shou d make a loan for purposes offensive to Russia and Japan.

The point however is worthy of consideration. Melchior suggests the addition of a phrase similar to that in the old Inter-Bank Agreement, at the beginning of Article VIII.

" In the event of any of the lenders declining a participation in any business proposed either at the outset or at any time during the course of the negotiations , the other lenders shall have the option of taking up and carrying out the business either jointly or separately on their or its respective accounts or in their or its respective markets without prejudice to the provisions of this agreement"

He further points out that in article three at the end the phraseology might b taken to conflict with the internationalisation of issues.

In Article IV he asks what would happen should one of the parties, or all to whom the share of another was offered wish to refuse to issue , Would he or they have the right to decline to do so. This point was I know discussed , and I give it for what it is worth.

We we re delighted to hear that Davison is coming over. I am sure that the French and Germans will both be pleased. As he has had such success heretofore do you not thi nk it might be so worked that he would act as Chairman, on the grounds that we called this conference in London? Do you not think that Addis might be glad to have it handled this way?

Further, since the American Group is to be represented by a principal, and since the Comference is to be held in London why should it be necessary for the German and French " American Agents to come over? Warburg himself cannot get away in any case duri ng May and we shall have Melchior if anyone comes. Would it not be possible in view of the entry o f the Russians and Japanese to cut down our representation a bit?

Warburg telephoned Urbig about the undesirability of being near Izqolski in Paris, and suggested that that gent might go to Brussells, and therefore urged London to which Urbig consented .

We see Urbig with Melchior tomorrow morning, and shall write you by tomorrows post of our interview.

Carter approves the foregoing.

Yours ,

The Willard Straight Papers at Cornell University

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MALADIES DES YEUX

Dr Louis Borsch
10 Rue de la Paix
Paris

11189

De 2 à 4 heures
et sur rendez-vous
Téléphone 326-51

For Mr. Straight,

1

Acide salicylique ..... 0.10 centigr.
Acide borique .....5. grammes.
Extrait distillé d'Hamamélis
Virginica..... 50. grammes.
Eau distillée .... Q.Sft.... 250. grammes.

Eye lotion, use as directed.

2

Ouate salicylée ..... 10. grammes.

Borsch

Paris April 26th. 1912.

MALADIES DES YEUX 11189

Dr Louis Borsch
10 Rue de la Paix
Paris

De 2 à 4 heures
et sur rendez-vous
Téléphone 326-51

Mr Straight

D. 0 +0.25 +0.75
G. +0.50 —

Mch 25. 1912

Borsch

April 26th, 1912.

Dear Whigham,

Your various telegrams regarding the date for the Conference received. I will not attempt to confirm them herein owing to lack of time. We meet the frenchmen to-morrow, and shall endeavour to bring them into line. Urbig said that he had an important engagement on the 9th and 10th of May, but that if the French agreed to come to London for the 7th and 8th he would do his best to arrange matters so that he also could be present. I am glad that you concur in the proposal to have a meeting of the Four Groups before we meet with the Russians and Japanese. This should enable us to go into the final conference prepared to act entirely in harmony. Our interview yesterday with Urbig, was, on the whole, most satisfactory. He brought up various points regarding the proposed contract between the Six Groups. He considered that the most important matters to be dealt with were (1) The question of control which prompted our telegram to yuu suggesting one for Peking, and (2) the manner in which the Groups should meet the Russian reservation if such were made regarding their special interest in Manchuria, Mongolia and Western China, in case this matter should be brought up for discussion in the conference.

As to this latter point, he felt that the Groups should not consent to any stipulation embodying this reservation in the proposed Inter-Bank Agreement, or in any other way to acquiesce therein. If the Russians desired to make a declaration he thought the Groups might consent that it should be embodied in the minutes of the meeting with the statement that it had been noted.

If the Russians insisted that we recognise their reservation and consent to be bound thereby, the Groups should refuse to do so, provided, of course, the Four Governments would support us in such an attitude.

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His other points regarding the proposed agreement may be summarized as follows:- He agrees with Dr. Melchior that a phrase similar to that at the beginning of article 8 of the original Inter-Bank Agreement (quoted in my last letter)should be inserted in Article 2 of the new Agreement. He suggests further that there should be a separate clause providing for the internationalization of issues. (3) He suggests that the last sentence of Article 5 of the draft of April 23rd should be deleted, and the following phrase substituted therefor:- Any party hereto can only give sub-participations outside their own markets after having first offered such sub-participation in equal shares to the other parties hereto. (4) In order to meet the difficulty interpreted by you, and brought up again by Dr. Melchior as stated in my last letter, he suggests that Article 4 should be entirely recast on the basis that the parties not wishing to issue instead of requesting the other parties to issue for them, should simply give notice that they do not wish to issue the residuary participation, leaving the handling of the same to be adjusted among such parties as shall not have given notice, and therefore may be presumed to desire to issue. (5(Mr. Urbig further brought up an interesting point regarding the interpretation of the proposed Agreement, which, perhaps, would render unnecessary the paragraph which I suggested and which was embodied in the draft of April 23rd.

He holds that the obligation of the Four Groups to the Russians and the Japanese assumed for the re-organization Loan terminates except in so far as that loan is concerned upon the signature of the re-organization Loan Agreement, even though it might take some years to issue this loan in entirety; in other words, once the re-organization Loan Agreement is signed, the Four Groups would be entitled to proceed to undertake business bound to each other by the old Inter-Bank Agreement, notwithstanding the fact that of the various series of the re-organization Loan may not have been issued.

Belgian Participation

Urbig expressed himself in favour of Belgian participation, and seemed willing even if necessary to contribute thereto. He thought, however, that they should obtain their participation from the Russians, who, in granting it, should do so on behalf not of themselves alone, but of the Six Groups.

This participation being granted under an exchange of letters, or in some other manner, the Belgians would be bound by the provisions of the Six Group Agreement and under Article 4. Thereby Urbig thought, as suggested in my last letter, that it would be possible for the Russians to request the Belgians to issue their share.

The foregoing discussion regarding the proposed Inter-Group Agreement as to whether the currency is, perhaps, of little value, in view of the last telegram received from Peking, which would, in our opinion at least, as telegraphed you last night, seem to make it necessary to revive the financial agency plan if the Government are unwilling to support the Groups in forcing China to accept some such system of control we believe it would be folly for the Groups to make any further advances.

From our point if view, we believe it would be much wiser should the Government refuse to take such action, for the Groups to let matters drift until such time as the anarchy which will inevitably result, unless the present Chinese Government secures funds, forces the Government thus to intervene and take over the administration of Chinese finance.

Currency Loan

Referring again to the question as to whether this Loan would necessarily have to be included in the re-organization Loan, and stating to Mr. Urbig the arguments to this effect advanced in my last letter, Urbig made a most valuable suggestion. He believed that if Russia and Japan inform our Government, or the Groups, that they would regard the issue of the re-organization Loan as offensive unless Article 16 were deleted, the Groups might simply

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state that that was a matter for these two Governments to settle with the Chinese, that if China desired the Article withdrawn the Groups would have no objection, and the Article being withdrawn on the request of the Chinese Government, which would doubtless be promptly made, we would be able to retain the Currency Loan and eventually it as our own business without either losing faith vis a vis the Chinese (except in our failure to support them in insisting upon the retention of the Article) or offending the Russians or Japanese.

Yours faithfully

Chas. F. Whigham, Esq.,
London.

The Deepdene,
Dorking,

April 28, 1912

Dear Frank:

Carter I left in Paris but I returned from our Continental tour last night. The results of our visits you will find set forth in the two letters copies of which I enclose for your amusement. The conference with the French in Paris yesterday has not as yet been reported but there is really little to say about it.

They agreed to Urbig's suggestion as to the Currency Loan, were opposed to the admission of the Belgians except through a sub-participation given by the Russians and said that they would object to the Belgians issuing in Brussels. They felt that Schroeder presented the largest fly in the ointment, and implied pretty clearly that they thought Addis ought to take care of him.

On going over thewhole thing in my own mind again I feel sure that the dope in my letter from Paris was good and that Addis's chief objection to the Financial Agency Scheme was that he could not perhaps secure the necessary support from his Foreign Office for such a plan unless he created a really representative British Group. This, in the light of your most recent telegram he may be obliged to do. There is no question now in the minds of the Germans and the French but that the Financial Agency plan presents the only solution. Our opinion on this point you will see in telegram sent by us to London after reading the Peking message. The situation set forth therein is exactly what I had described it to be on my arrival here and on which I had based my principal argument for the Financial Agency. The Germans however while favoring the agency did not wish to be tied up with Russia and Japan save in the Reorganization Loan, and we knew that it would be impossible to put the F. A. scheme without these two. Hence, with Addis also against it, it seemed wiser to let it alone and get on the band wagon. Now, however Baby has been revived and I am very glad.

Harry arrives tomorrow night and will be present for the Conference which will strengthen our position very materially.

Dorothy sends her love. Tell Casenave I'll write, also to the Minister. We hope to get out conference early in May. If as the press reports the Chinese cancel the Belgian Agreement the French at any rate are prepared to let them have a little more money to carry them on until we can get our colleagues in agreement as to the Financial agency. This however you will learn by wire. Good luck, and write,

Yours,

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April 20th [1912] pg.

Willard Straight Esq.
Westbury L.I.

Dear Sir:

A letter from my Mother states that you may want to see me and I write to advise you that my address is C/o Mrs H. B. Fuller 782 55th St N.Y. Our meeting would be a great pleasure to me.

Yours very truly
C.H. Fairchild.

1st May 1912.

Dear Harry,

I enclose copies of telegrams sent at your behest to Frank and to New York. I also took the liberty of sending one myself, copy of which I enclose, of which I trust you will approve.

There is another long telegram from Peking which we will try and send to you in due course.

We had a talk with Addis the other day regarding the necessity, in view of the probable admission of Russian and Japanese Groups, for the six Groups to employ a Secretary in order to distribute the correspondence. I do not know whether Addis had a man in view or not, but in any case I suggested that ffrench be appointed as we think he might be an excellent man, and he now has more or less got his beam ends, for there seems to be no prospect of reviving the Chin-Chou-Aigun. What to you think of this? If you approve, when Addis returns I will take the matter up again with him, and suggest that ffrench be given the job and the sum of L2,000 per annum with proper allowance for expenses.

With best regards, hoping you had a fine trip,

Yours,

P. S. I delivered your message to Carter who is very sorry not to have seen you. He tried to catch you at the Hotel this morning, but they said you had already gone out.

H. P. Davison, Esq.,
Grand Hotel,
Ais-lex-Bains.

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2nd May 1912

H. P. Davison, Esq.,
Grand Hotel,
Aix-les-Bains.

Dear Harry:

I enclose copy of telegram received today from Frank addressed to you in answer to your telegram of yesterday. This message was repeated to New York. On reading it, it seemed to me that it might be interpreted to read that Frank did not think any advances whatsoever should be made at this time, and disagreeing with this view I could not help expressing my own opinion on the subject in a telegram, copy of which also is enclosed. I wired Frank that I had done this and stated my reasons, and also informed him that your were on the Continent and would not handle China until the Conference.

I hope that I have not been presumptuous in doing this, but everyone here felt that you would not wish to be bothered with all these telegrams as they come in, and for that reason also we are not forwarding you copies of the messages received yesterday and today and our replies.

The Russians have consented to be in London on the 15th, and the four Groups will meet on the 14th. I have engaged on the "'Lusitania' what seemed to be the most suitable accommodation for you - to wit - a regal suite - which will give us State-rooms for your sister and Mrs. Bocock and another for yourself, together with sitting-room and private dining-room which can be used as you see fit. This seemed to be the best possible arrangement as it would have been much more expensive to secure two suites, which would have been the only other thing to meet your requirements. We have not yet heard from Bremen regarding the North German LLloyd Boat sailing on the 22nd. In any case we will not be able to hold these reservations for more than a few days, and Mr. Jeeves and myself, as the buffer states, will be very grateful if you can let us know by which boat you intend to sail.

[5-2-12]

We hope you had a fine trip down, and that everything is going your way. Dorothy would never forgive me if she knew I was writing and not sent her love, which I now do. In the circumstances, I presume you do not care for any contribution from me.

Yours,

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002800

6th May 1912

Dear George:

Many thanks for your letter No. 3 of the 19th April with its enclosure, which we all read with the greatest interest as it gave us information which had not up that time been received regarding the negotiations with the Belgians for a further Loan of L2,000,000, and the reasons why the Chinese came back to re-open negotiations with you.

The telegraphic correspondence in these days is so rapid that there is really not much use in going into any general discussions. I do hope, however, that you with your facile pen and your massive intelligence, will permit us to profit thereby, and send us your views as often as you can.

Fletcher is here and together we went down to see Bland yesterday. Everyone asks after you with much affection. We all send love.

Yours,

M. Casenave.

6th May 1912.

Dear Frank:

Many thanks for your letter enclosing the copy of Williams document on Taxation in China, and also your letter of April 18th. I had hoped for a further communication from you this morning, but nothing turned up.

The joint telegram of April 25th from the representatives together with your own personal message to New York, gave everyone here a good deal of a shock, and the result has been I think, that your Financial Agency scheme is now pretty generally considered to be the only solution. We have not yet seen Addis so that I am not in a position give you his views. We shall meet him, however, this afternoon and discuss the whole situation with him.

I trust you will understand my telegraphing New York in the sense I did when your telegram to Harry was sent on. I agreed with the text of your telegram but felt that you had minimised the question of the Groups' responsibility to advance funds - under proper conditions of course - to the Chinese, they having, to the best of our information, met all the conditions laid down in our telegram of April 18th. I enclose herewith copy of the message which I sent to New York.

It looks from this end as if matters were rapidly nearing a crisis in Peking, and as if it would be necessary to have the show down now before we advance any further funds.

I sincerely hope, there being no question of danger for you, the Groups do refuse to make further advances, for I can foresee the possibility of the Peking troops again going on the rampage. Before this letter reaches you, you will probably have had a large assortment of telegrams, and for that reason I do not go more fully into the situation, which is about as complicated as it must be in China.

We are hoping to get away with Harry and Miss Davison either on the 18th or 22nd. Harry was looking splendidly. He and Miss Davison as well as Mrs. Bucock asked after you most tenderly.

F. H. McKnight, Esq.

Yours

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PRIVATE.

MEMORANDUM REGARDING PRESENT STATUS OF ADVANCES AND PROPOSED REORGANIZATION LOAN.

The Inter-Group Conference, March 12th, 1912, formally confirmed the approval already given for the advance of Taels 2,000,000 made to the Chinese Provisional Government in Shanghai 29th February, 1912, and the advance of Taels 1,100,000 made to the Chinese Provisional Government in Peking 9th March, 1912.

These advances had been made under letters exchanged on 29th February and 9th March respectively, which provided that the Chinese Government should issue Treasury Bills for the sterling equivalent of Taels 2,000,000 and Taels 1,100,000, to bear corresponding dates to the letters above mentioned, and to be taken by the Groups on terms to be arranged. The letter of March 9th further assured to the four Groups the option of furnishing the further monthly requirements of the Chinese Government for the months of March, April, May and June, and, if necessary, July and August. This letter also assured to the Groups the option of furnishing the Reorganization Loan, estimated at about £60,000,000.

It was agreed by the Conference to advance a further Taels 8,000,000 during the month of March for the general requirements of the Chinese Government, with a further Taels 2,000,000 for the special requirements of the Chinese Government at Wuchang.

It was further agreed to supply the estimated monthly requirements of the Chinese Government, namely, Taels 6,400,000, during April, May and June, and if necessary, July and August. The foregoing advances to be covered by nine-months Treasury Bills to be taken by the Groups at 95½ less 1% to cover charges or £94 10s. to the Chinese for the nine-months Bills of £100. The said Bills to be redeemed from the proceeds of the Reorganization Loan, for which negotiations were to commence as soon as possible, to be concluded if possible in June, and the first series to be issued if possible in July next.

Under the foregoing the Groups—

had advanced	Taels	3,100,000
agreed to advance during March	„	10,000,000
April	„	6,400,000
May	„	6,400,000
June	„	6,400,000
	Taels	32,300,000
and, if necessary, to advance further—		
July	„	6,400,000
August	„	6,400,000
	Taels	45,100,000

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Instructions to the foregoing effect were telegraphed to Peking, it being stipulated by the Groups that owing to the magnitude of the operations contemplated, they would be unwilling to proceed unless the Chinese Government agreed not to contract or negotiate any Loans or advances whatsoever, except through the medium of the four Groups, while the preliminary payments were being made, until the various issues of Treasury Bills had been redeemed and the Reorganization Loan successfully issued.

The Chinese were notified on March 14th that the Groups were prepared to proceed with the advances and to undertake the Reorganization Loan, and that a draft Agreement would be submitted to them on the following day.

On the 14th March, however, the Chinese signed with the so-called "Belgian Group" a Loan Agreement, thus violating their engagements under Articles 3 and 4 of the letters interchanged on 9th March.

Negotiations were interrupted, and the four Ministers filed a protest with the Chinese Foreign Office.

No Treasury Bills had been issued under the terms of the letters February 29th and March 9th, and no intimation had been given by the Groups' representative to the Chinese regarding the terms on which the Groups would take such Treasury Bills.

The four Groups under telegram despatched 18th April, authorised their representatives in Peking to reopen negotiations on the old basis, provided the Chinese Provisional Government frankly recognised the signature of the so-called Belgian Loan on 14th March to have been a violation of the Contract entered into with the four Groups on 9th March, and agreed further to cancel the undertaking, which the so-called "Belgian Loan" Agreement was alleged to contain, to negotiate with the "Belgian Group" a Loan of £10,000,000.

To these conditions the Chinese Provisional Government agreed.

On 25th April, however, the representatives in Peking telegraphed to the five Groups describing a most unsatisfactory situation in China, and expressing their opinion that the conditions regarding control communicated by Groups' telegram 18th April were not sufficiently stringent.

In view of the situation reported from Peking, the Groups felt it desirable to advance to the Chinese Government no more than was absolutely necessary to tide over the period prior to the meeting of the Conference between the four Groups and the Russian and Japanese Groups, at which time it was proposed to have a full discussion of the general situation.

The representatives were therefore authorised to make temporary advances of not more than Taels 1,000,000 or Taels 2,000,000 at a time, provided the same were properly secured and satisfactory assurances given as to the supervision to be exercised by the Groups over expenditure.

On 1st May a telegram was received from Peking representatives setting forth the requirements of the Chinese Provisional Government as follows:—

1st Week	Shanghai Taels	7,700,000
2nd „	„	5,900,000
3rd „	„	6,150,000
4th „	„	5,150,000
5th „	„	3,900,000
6th „	„	4,200,000
	Taels	~~33,000,000~~ ~~32,950,000~~

In addition, the Premier, Mr. Tang-Shao-Yi, desired a credit of Taels 2,000,000 for famine relief and £1,000,000 for war vessels now ready in England, Germany and Japan.

The Chinese further stated that from the 15th June to the 15th October, four months in all, they would require approximately Taels 10,000,000 per month, or a total of Taels 40,000,000, which, however, they would prefer to secure from the proceeds of the Reorganization Loan.

The representatives stated that they proposed immediately to advance Taels 1,500,000 in Nanking, under a letter embodying special Control conditions.

On 3rd May the Peking representatives telegraphed that the Chinese had refused to agree to the Control conditions the representatives had proposed should govern supervision of expenditure of the proposed advances.

On 4th May the Groups telegraphed to Peking sanctioning the advance of the sums requested by Chinese for the first three weeks, namely, Taels 19,750,000, provided the same was satisfactorily secured and adequate guarantees obtained regarding proper expenditure of the funds.

The Peking representatives were directed, however, to make no advances until the Chinese had signed an Agreement providing for immediate issue of Treasury Bills to cover the advances made on 29th February and 9th March, as well as those contemplated under this instruction. The Groups agreed to discount these Treasury Bills on the basis of 6% per annum, but requested also a commission of 1½% plus charges, with the prospect of retrospective reduction of this rate in case after the Conference the Groups should decide to make regular monthly advances to carry the Chinese Government during the period of reorganization.

The present situation may be summarised as follows:—

Advances actually made by Groups—		
February 29th	Taels	2,000,000
March 9th	„	1,100,000
Advances for immediate needs, authorised under telegram of May 4th	„	19,750,000
Further weekly advances requested by Chinese to 15th June	„	13,250,000
Monthly advances, June 15th to October 15th ...	„	40,000,000
Credit for Famine Relief	„	2,000,000
Payment for War Vessels, £1,000,000 approximately ...	„	8,000,000
	Taels	86,100,000

approximately £11,000,000.

8th May, 1912.

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[5-11-12]

Charvet & fils

25. Place Vendôme
PARIS

By Royal Warrant to his Majesty the King

ADRESSE TÉLÉGRAPHIQUE: CHARDOME-PARIS

Monsieur W. D. Straight
H Vendôme Doit

1911 Paris, le 13 avril 1912

26	Sept	1	Robe de Chambre		600
3	Oct	2	Robes de Chambre	600	1200
6		12	Mouchoirs batt et Chiffre	15	180
		12	- bat et Chiffre	10	120
		12	- bat et Chiffre	12	144
		2	Robes de Chambre	600	1200
			frais de Port et douane (Manila)		775
			francs		4.219

Deepdene- Dorking-
May 13th- 1912

Dear Beatrice;-

By the time this reaches you Dorothy will have cabled that our deaparture for home has been again postponed. I am terribly sorry, for your sake and for Marraine and for Dorothy. It seems too hard, that after this separation which has been so hard for you, and so terribly hard for her too, just when we thought we could get away, that the axe has fallen once more. Dorothy showed me one of your letters in which you quoted Amy as saying that I had told her we might be here for a couple of months. I may have said that- but not wittingly, save that after past experience I always say-"I dont know- maybe two weeks,-maybe two months." I really thought however that we would make the "Lusitania" -especially as I had reserved passage on her for Davison as well. He arrived here Saturday night. Grenfell had already suggested that he thought we might have to stay on. Yesterday he and Davison talked it over and this morning Davison put it up to me-- that there would be little for me to in New York now- que China- while London would be the cock-pit for the next two months- as it willbe- and that they wanted me here. There is no denying that they are right, for the Chinese situation is more involved than ever owing to the admission of Russia and Japan, and it is here that we must fight out all these qustions. He practically- though not in so many words-- put it up to me , that either I had better take Dorothy home on the "Lusitania" and be ready to come back myself for a couple of months- or else I'd better make plans to settle down here for that period in such way that Dorothy would be comfortable. Up to date we have been staying with Pauline, but though nothing like what it used to seem to me, its much too nervous for Dorothy-- so I'm trying to get a small house in the country for two months so that we can at best be together, sans week-end parties down here and where we can be as quiet and peaceful as possible.

I thought in some ways that it might be best to get Dorothy home now, and if I had to come away to leave her with you. She says "no"- and I am selfishly glad- for it would be too awful without her.

London- May 16th

For three days I've been so rushed all day and so fagged in the wee hours when I could at last turn in, that I haven't finished this letter. The Conference is over- without very satisfactory-- though not very unsatisfactory-- results, but in any case we have to stay on, and I am terribly sorry. Dorothy was broken up about it.

The room is full with telegrams and my bosses, so I must quit.

Dorothy is very well and she is being looked after by a Doctor who is supposed to be the best here.

I wish we were coming home now with Prather instead of sending you this.

With much love to you and Marraine.

Willard.

Original in private hands.

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118.—9-11.

Telephone: ~~308 COVENTRY~~ 5600 Mayfair.
Telegrams: ~~"DAIMLER, COVENTRY"~~

INVOICE.

CUSTOMERS' CARS ARE ONLY DRIVEN BY OUR STAFF AT CUSTOMERS' OWN RISK AND RESPONSIBILITY.

BY APPOINTMENT TO HIS MAJESTY THE KING. WCG.

BY APPOINTMENT HIS LATE MAJESTY KING EDWARD VII.

The Daimler Company, Limited,

Daimler Works, May 16th 1912.

Coventry.

William Straight Esq,

39, Berkeley Square, W.

Please reply to 78, MARYLEBONE LANE, LONDON, W.

Motor Goods herein mentioned must not be exhibited directly or indirectly at any Exhibition held in the United Kingdom of Great Britain and Ireland without the written authority of The Daimler Company, Limited.

1912.

May 13th. To Hire of "MILVERTON" Car No: 7417

From May 13th till May ~~[illegible]~~ 20th. £25 0 0

97. 11-11.

12611 HIRE DEPT.,
78, MARYLEBONE LANE, W.

17th May 1912

RECEIVED of W. Straight Esq

the sum of — Fifteen — pounds

shillings pence.

For THE DAIMLER COMPANY, LIMITED.

£15 : 0 : 0 H C Cashier

With thanks. Cashier.

— McCorquodale & Co., Ltd., London. —

HIRE WB Interview Order No: 5397 H. 3943.

[5-18-12]

Accompanied Mr. McKnight's letter #208 of May 18th, 1912.

Peking, China,
May 17th, 1912.

The Honourable Mr. Tang Shao Yi,
Premier Minister of the Chinese Government

The Honourable Mr. Hsiung Hsi Ling,
Secretary of State for Finance.

Sirs,

In compliance with the request of the Chinese Government for an immediate advance of Shanghai Taels 3 millions, and pending the decision of the Conference of the Groups now proceeding in London as to the whole question of financing the large requirements of the Chinese Government, the undersigned have the honour to state that they hold this day in Shanghai at the disposal of the Chinese Government subject to the terms and conditions hereinafter set forth the sum of Shanghai Taels 3 millions, for which sterling exchange has been fixed by the Banks in Shanghai at the rate of 2/9 11/16 per Shanghai Tael. Of this advance Shanghai Taels 1,500,000 will be paid in Shanghai, and the equivalent of Shanghai Taels 1,500,000 will be made available in Peking on the basis of a rate for Kungfa Taels to be arranged.

It is understood and agreed that :-

1. This present advance of Shanghai Taels 3 millions shall be treated in conjunction with the advances of a total amount of Shanghai Taels 3,100,000 referred to in the letter addressed to the President Yuan Shih Kai by the undersigned on the 9th March 1912 and in the President's reply thereto, and shall in like manner be covered by delivery to the Banks, so soon as arrangements permit, of Gold Treasury Bills bearing date of the 17th day of May 1912, for such amounts as, after being discounted at a rate to be arranged, shall yield the Gold equivalent of the said advance, all the said advances and/or Treasury bills being secured, subject to the existing charges, upon the revenue of the Salt Gabelle, and redeemable from the first proceeds of any comprehensive loan

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[5-18-12]

for general reorganisation purposes.

2. Russian and Japanese financial interests represented by the Russo Asiatic Bank and the Yokohama Specie Bank have with the approval of the Chinese Government been invited to accept participation of one-sixth share each in the several operations above referred to, as well as in any future operations either in the form of further provisional advances or of a reorganisation loan. The representatives of the aforesaid Banks are not signatories to the present letter, but so soon as arrangements with the said parties have been completed it is the intention to embody the terms and conditions of all advances already made or to be made in a formal agreement to be signed by the Chinese Government with the six Banks and/or Groups.

3. Pending the decision of the London Conference, which is now awaited, as to the continuance of monthly advances, the Chinese Government hereby engages to observe strictly the spirit of Articles 3 and 4 of the aforesaid letters of March 9th, 1912, and to grant no applications of the Provincial authorities for permission to borrow funds from other parties without first applying to the undersigned.

4. The disbursement of this present advance of Shanghai Taels 3 million shall be carried out in accordance with the Draft Regulations for the supervision of expenditure of provisional advances, of which a copy is hereto annexed.

The sum of Shanghai Taels 1,500,000 of the present advance being intended for the redemption of Military Notes issued by the "Chung Kuo Yin Hang" (Bank of China) the Group Banks in Shanghai are hereby authorised by the Chinese Government to pay the aforesaid sum to the Chung Kuo Yin Hang, against its receipts, in instalments to be mutually arranged: and it is hereby agreed that in this special case the spirit of the aforesaid Regulations will be fulfilled by the production to the Group Banks in Shanghai of the Note Register and of the cancelled notes so redeemed.

[5-18-12]

This letter is in duplicate and we have the honour to request that you will be good enough to signify your acceptance and confirmation of the arrangements and conditions herein contained by affixing your signatures to the statement to this effect below, retaining one copy of the letter so executed for your files and returning the other to the undersigned.

We have the honour to be,

Sirs,

Your obedient servants,

Peking, May 17th, 1912.

We hereby accept and confirm on behalf of the Chinese Government the arrangements and conditions herein contained.

.....

.....

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[5-16-12]

Accompanied Mr. McKnight's letter #258 of May. 18. 1912.

MINISTRY OF FINANCE - PEKING.

Received this seventeenth day of May, 1912, from the Hongkong & Shanghai Banking Corporation, the Deutsch-Asiatische Bank, the Banque de l'Indo Chine, and the International Banking Corporation for account of the American Group, the sum of Taels Three Millions Shanghai Currency, being proceeds of advance made under letter of Agreement of this date.

20th May 1912

Dear Frank:

Your letter of 3rd May reached me this morning.

You will doubtless have gathered from the telegraphic correspondence a pretty good idea of what passed at the Conference last week, and I hope that before this letter reaches you, a long telegram of instructions which is now awaiting the sanction of the different Governments and Groups, will have been despatched to Peking and presented to the Chinese, as Davy says, "not for discussion but for acceptance.

The Financial Agency plan as originally worked out was thoroughly discussed here, and it was felt that a general commitment such as was suggested without any specific Loan Contract for which we could demand Governmental support when necessary, would be open to serious objection, and the present scheme therefore has been evolved. This now contemplates the conclusion of the Reorganization Loan Agreement which shall set forth Control conditions, etc., and the concurrent signature of an Agreement for the Financial Agency which shall last until the Reorganization Loan has been issued in entirety, in other words, the Groups gain the support of their Governments for a particular Loan, and at the same time under the Financial Agency Contract, place themselves in a position of general Financial Advisers to the Chinese Government. This entire question was argued for several days, and the solution finally reached seems by far the best.

The telegram of instructions is now drafted and will I feel sure meet your fondest hopes as regards insistance by the Groups on proper control; whether you are going to be able by forcing its acceptance on the Chinese, to do any business, is another matter. It rather looks to me as if the Chinese, for the time being at any rate, might refuse to agree to these terms and oblige the Groups to cancel their option on further borrowings and allow the Chinese to secure money where and on what terms they are able.

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If this be done, the opinion here is that the Chinese may secure £1,000,000 here and another there, but that outside lenders will be very reluctant to go into this mess when the powerful institutions are standing aloof, so that in the end, the Chinese will be forced to come back to the Captain's counter and take money on the terms which the Groups, we hope, are now about to propose. Our policy would seem essentially one of sitting tight. If by doing so the Chinese Junk of State goes on the Rocks, it will mean foreign intervention I presume, which same will undoubtedly be exercised through the medium of the Six Groups. The views which I here express are of course you will understand, my own, though what I gather from H. P. D. and from the correspondence received from New York, would lead me to believe that the American Group at any rate will not be prepared to depart very far from the terms of the telegram agreed upon by the four Groups in last week'sConference. The Germans and British may be inclined perhaps to make certain sacrifices in order to go on with the business, but Simon, the Frenchman, has the situation doped out much on the lines above stated.

We had a most a most amusing day with our Russian and Japanese friends. The little Japanese knew his game thoroughly, stated what he wanted in a few words, had his suggestions turned down, and departed to ask for fresh instructions from his Government. You have already in your possession I believe, the draft Six Group Agreement. The Japanese was prepared to accept this subject to three modifications -

1. He did not wish to include Companies carrying Government guarantees in the business which each Group was bound under Article 2. to offer to the other Groups during the term of the Six Group Agreement. This business he felt should be confined to Government and Provincial Loans.

2. He wished the Yokohama Specie Bank in London to have the right to issue.

3. He desired inserted, either in the Six Group Agreement or in the

Minutes of the Conference, a declaration that the proceeds of the Reorganization Loan and advances would not be expended in Manchuria or Mongolia.

To all three of these points the four Groups refused to agree, though they informed the Japanese that they would be willing to insert the desired declaration as regards Manchuria and Mongolia in the Minutes of the Conference, in case the Japanese Government should be able to induce the Chinese Government, of itself, to make this declaration.

The Russian Delegate, M. Verstraete, was one of the best performers I have ever seen. His flow of language was admirable, and his ability to evade the point at issue by presenting a similar though entirely different issue, was consummate. Personally I believe he was playing the usual Russian game of bluff, which he was more or less obliged to do inasmuch as the Russo-Asiatic Bank is tied up with Schroder and Sassoon in London, with Spitzer in Paris, and with the Belgian Group. He claimed that he came to the Conference, not as the representative of a Russian Group, but as the representative of an International Group, which for the purpose of the Reorganization Loan, proposed to ally itself with our International Group. He stated that the Russian Minister of Finance would insist that Russia should have entire freedom as regards the disposition of the Russian share of the Reorganization Loan, and insisted upon his right to issue this share in London and in Paris as well as Belgium, not through the four Groups as contemplated under Article 4. of the proposed Agreement, but through his British, French and Belgian associates.

As you will see from the Minutes we threw him out of court on these grounds and refused to discuss, as he wished us to do, the question of Chinese needs and the method by which they could be met. He also had certain reservations to make regarding Manchuria and Mongolia, but this point we did not discuss with him.

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After the Conference we had a very pleasant dinner where the best of feeling prevailed, and on Friday Addis, Verstraete and the French Delegates all went to Paris together. H. P. D. had gone over by an earlier train, and we understand that they had a Conference in Paris on Saturday afternoon, the result of which confirmed the impression we had all gathered that it would not be impossible to overcome our differences with the Russians and Japanese.

I quite well understand how anxious you are to receive the long telegram of instructions, and personally I have felt that the Groups should advance another 3,000,000 taels in order to carry the Chinese until by an agreement between the Governments and Groups as to the long telegram of instructions, the conditions upon which the Groups were willing to proceed, should be presented to the Chinese.

Once these conditions were presented, it is my personal opinion of course, that no more money should be paid over until the Chinese had accepted our basis, and I am sure that you will agree that if the Groups should continue to make advances while negotiations for the Agreement for regular advances and the Reorganization Loan were being carried on, the Chinese might attempt to carry on with these temporary advances, and never come to terms on the larger points at issue.

However, whatever my personal views may be, and I confess that they are probably tempered with an entirely unwarranted consideration for the Chinese, the Groups will not advance any further funds until the long telegram of instructions has been sent and the Chinese agree to the conditions laid down, or such modifications thereof as the Groups may be prepared to make. I am rather inclined to think that these modifications, if any, will not by any manner of means meet the Chinese point of view, However, this again is my personal opinion in the matter.

As regards the Currency Loan, it was discussed at some length at the four Group Conference on the 14th, and I think that there is no question but that if we come to terms with the Russians and Japanese, the Currency will be merged with the Reorganization Loan.

Davy will come back from Paris tonight, and I presume there will be another Conference very shortly if it is impossible to get together with the Russians and Japanese without going through all the trouble of another meeting here.

As regards the misunderstanding over your telegram to Harry, I hope that that has been cleared up to your satisfaction by my last letter. As you know, it is sometimes the impression created by a telegram rather than its exact wording, which counts, and having derived a certain impression from your message and fearing that New York might do the same, I felt it necessary to give an expression of my views.

You seem to think that certain references in your letter were vindictive. To me they seem mild, and I wonder at your self-restraint - a quality which for years I have been endeavouring to cultivate, only with the result that my personal and private utterances both written and spoken are increasingly vituperative, as my official expression becomes more restrained.

It has now been decided that we are to remain on in England for two months, which I presume means six. We are taking a house in the country which is very attractive but not Long Island. However, since we cannot look forward to Long Island we are looking forward to this. We hope that everything is going well with you, and since you are too far away to hit me, I do not mind remarking that "you must be having a very interesting experience"!

Give my love to all

Yours,

Frank H. McKnight, Esquire,
Peking.

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[5-22-12]

22nd May 1912

My dear George:

Very many thanks for your most interesting letter No. 5 of 7th May. It is of the greatest value to have these comments from you on the political situation in Peking, for although the telegraphic correspondence has been very full of late, it is impossible to clothe these bare financial bones with political flesh and blood, and thus get any real idea of the situation.

I can quite understand that you find McKnight on principle, rather opposed to go too deeply into diplomacy and diplomatic questions. In this respect you will find most New Yorkers very much like him. I hope, however, that you will persist in trying to get these ideas into his head, for without proper conception of the diplomatic problems in Peking, one can never hope even to begin on the solution of the business questions with which he is primarily interested. Experience will doubtless teach him the necessity of following the political game, and in the meantime I hope you will continue to write me fully as mattere develop, as your letters are of the greatest value and very much appreciated by all of us here.

I have written fully to McKnight regarding the Conference and the situation vis-a-vis the Russians and Japanese, and I presume that he has shown you this letter. We are all very hopeful that an arrangement can be reached, and everyone here takes your view I think, that we must if possible try to bring the Japanese to our side. If this be done, either the Russians will be forced to come in also, or else we will be strong enough to go ahead even against their opposition. The one fear would be that the Japanese would be unwilling to risk their good relations with Russia for the sake of closer accord with the four Nations.

As to the matter of Control, M. Simon and Davison were in complete accord, and we hope that the long telegram of instructions giving the basis

on which we would be prepared to go ahead, will be forwarded to you today or tomorrow, and if this be not done, the Groups may be willing to authorise you to make a few further advances pending the presentation of what will really be practically an ultimatum.

If the Chinese are unwilling to accept these terms which the Groups put forward and if chaos ensues, it may be best for all concerned, for it wil bring about Foreign Intervention, with the Financial Dictatorship by the Groups under the auspices of their Governments. Of course we all hope that the Chinese will be willing to accept the Control conditions which the Groups deem essential, and that we may be able to avoid a general break up. From what you say, however, I gather that you feel as do the people here, that it would be far better to have the break up than to endeavour to avoid it by so modifying the control conditions as to make them palatable to the Chinese and practically valueless to us.

From present indications it would seem that we are to remain on here in England for the next two or three months in the hope that this Chinese matter may be somewhat cleared up during that period. I confess that I am rather disappointed in not being able to go home, but the negotiations promise to be very interesting.

Your memory is ever green, and I will deliver your message to Dorothy. We both send our love and hope that you are well.

Yours,

M. Casenave,
Banque de l'Indo Chine,
Peking.

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W. D. Straight Esq
39 Berkeley Square

By Royal Warrant.

TEL: GERRARD 7714.

London, W. 24th May 1912

Patronized by
HIS MAJESTY THE KING.

H.I.M. THE EMPEROR OF AUSTRIA & HUNGARY.
H.R.H. THE PRINCESS LOUISE.
H.I.H. PRINCE HENRY OF PRUSSIA.
H.R.H. THE DUKE OF SPARTA
H.R.H. PRINCE NICHOLA OF GREECE.
H.R.H. PRINCE ANDREW OF GREECE.
H.R.H. PRINCE CHRISTOPHER OF GREECE.
H.S.H. PRINCESS PHILIP OF SAXE-COBURG.
H.H. THE PRINCESS VICTORIA OF SCHLESWIG-HOLSTEIN.
H.H. PRINCE HOHENLOHE LANGENBURG.
H.H. PRINCE LOUIS OF BATTENBERG.
H.H. PRINCE HENRY OF ANHALT.
H.H. PRINCE EDWARD OF SAXE-WEIMAR.
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CLOSED 2 P.M. SATURDAYS.

TERMS: NETT CASH ON OR BEFORE DELIVERY.

GOODS FORWARDED BY POST OR RAIL, ARE AT CUSTOMERS RISK.

1911

July 29	2 pr Sac Chamoise Gloves	3/9		7	6
	1 do Driving do			6	9
	2 White French do	3/9		7	6
	2 Silver Studs	2/-		4	.
	1 Gold Safety Pin			10	6
Aug 5	12 Round Cuff Collars	1/-		12	.
	18 Imitation India Gauze Shirts 1/2	5/6	4	19	"
	6 pr Calico Trunk Drawers	4/6	1	7	"
	2 Boston Sock Suspenders	2/6		5	.
18	6 Silk Sleeping Suits	55/-	16	10	.
	Embroidering 18 letters	8d		12	.
	2 Cashmere Waistcoats	21/-	2	2	.
	1 Hemstitched Handkerchief			1	6
30	3 Pleated Drill Shirts	11/6	1	14	6
	3 " Pique do	11/6	1	14	6
	12 Burlington Collars	1/-		12	.
	1 Grey Mouli Robe		2	10	.
	1 Red Silk 4in Hand Scarf			5	6
	Forward		35	1	3

KNIGHT, FRANK & RUTLEY,
LONDON.

TELEPHONES:
1942 GERRARD (3 LINES)

TELEGRAMS:
"GALLERIES, LONDON."

BRANCHES:
NEW YORK,
WINNIPEG
SYDNEY &
VICTORIA (B.C.)

20, HANOVER SQUARE,
W.

29th May, 1912.

Dear Sir,

re "Woodrow High House."

We beg to acknowledge the receipt of the Agreement duly signed, together with your cheque for £143-1-0, for which we enclose formal receipt herewith. We have at once sent a fair copy of the Agreement to Mrs. Pelham Clinton for signature and hope to let you have the same in the course of a day or so.

We are, dear Sir,

Your obedient servants,

Knight, Frank & Rutley.

Willard Straight, Esq.,
C/o. Messrs. Morgan Grenfell & Co.,
22, Old Broad Street, E.C.

P.S. The agreed amount for the plate & linen can be added to the next instalment K F & R

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1911	Brought forward		35	1	3
Augt 31	1 pr Grey Swede Gloves			4	9
	1 set Pearl & Gold Scarf retainers		2	15	.
Septr 19	3 Black Batswing Ties	3/6		10	6
	Postage to Paris				4
			38	11	10
	Credit				
Septr 5	By Cheque		20	.	.
			18	11	10
1912					
April 19	12 Burlington Collars	1/-		12	.
	12 Round Dup do	1/-		12	.
	12 Lock Roll do	1/6		18	.
	1 Grey Knit Waistcoat	.	1	7	6
	2 Silver Back/Neck Studs	2/-		4	.
May 2	3 Burlington Collars	1/-		3	.
	3 Round Dup do	1/-		3	.
	3 Lock Roll do	1/6		4	6
6	4 pr White French Gloves	3/9		15	.
10	2 Black Silk Batswing Ties	3/6		7	.
	2 pr . Sop Suspenders	2/6		5	.
17	6 . . Cashmere 1/2 Hose Fancy shot	3/6	1	1	.
21	2 Plain Silk 4 in Hand Scarfs	3/6		7	.
	4 Rep do	5/6	1	2	.
	Postage to Peking			1	.
23	3 Silk Batswing Ties	3/6		10	6
		£	27	4	4

RECEIVED WITH THANKS,
JAMES DREW.
ONE PENNY
N.F.
29/5/12

12112

KNIGHT, FRANK & RUTLEY.
AUCTIONEERS, VALUERS & LAND AGENTS.

20, Hanover Square,
London, W.

29th May 1912

Received of Willard Straight Esq

One hundred & forty three pounds 1/10 being the first instalment of rent of Woodrow High House with fee for agreement & stamp duty

ONE PENNY

£143=1=0

pp. KNIGHT, FRANK & RUTLEY.
[signature]

The Willard Straight Papers at Cornell University

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29th May 1912

Dear Frank,

There is not very much additional news to report from this end, save that we learn today that our Russian and Japanese friends are apparently a little more inclined than heretofore to come to terms. The long telegram of instructions has been held up on account of the delay of the French Government in approving it, and I presume that their procrastination has been due to their desire to use all possible means to conciliate the Russians and bring them into line before defintely committing themselves.

I have been reading the copies of your letters to New York which you have transmitted to London, with much interest, and the information which you have sent on has been most valuable. It occurs to me however, that it would be very desirable if, either in your official communications or otherwise, you could give us a little more information as to the political situation, the attitude of the Japanese and Russian Bankers and Legations, and some idea of what you conceive their game to be.

I know that you have always more or less taken the attitude that you were concerned with business and not diplomacy, but I presume that by this time you realise more than you could possibly have done in New York, that there will be no business, in China at least, until some of these political questions are solved. Nor is China the only place, for international finance and international politics are everywhere inextricably mixed up, and while New York has not until the last two or three years been very much concerned with World Politics, the more our people become involved in China, in Europe and in South America, the more essential will it be for all of us who are trying to serve their interests, to watch political developments and the diplomatic policy of the various great Powers.

L5-29-127

As you know, this particular side of the game interests me personally very much, and while I by no means hold that sound diplomacy always creates good business, I am perfectly certain that in this international game there can never be good business unless there is sound diplomacy, and unless those of us who are in the business end are able, pretty accurately to gauge the trend of international politics. I sincerely hope, therefore, that you will give us a little dope along these lines, for at the present time we have very little except the Press to go upon.

Davy is in Paris again but we hope that he may be back in a few days. Everyone here is much occupied with the 'Interborough" ,.beside which China naturally looks like the proverbial 30 cents.

Trusting that everything is going well with you,

Yours,

F. H. McKnight, Esq.,
Peking.

The Willard Straight Papers at Cornell University

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WATCHMAKERS TO THE ADMIRALTY AND INDIAN GOVERNMENT.

TELEPHONE No. 8583 GERRARD (SIX LINES.)

AND LATE LEUCHARS OF PICCADILLY.

Willard D. Straight Esq.
39 Berkeley Sq.

May 28 1912

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AND HOUGHTON & GUNN,
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1912		£	s	d
May 25	Silver patience box. 8/10 Gold mono. 1/-	£ 9	10	Net

RECEIVED WITH THANKS
By Cheque
May 31/12
ASPREY & Co. Ltd.
ONE PENNY
A. Vaughn

31st May 1912

Dear Excellency:

Very many thanks for your letter of 8th May and its enclosure, which I return herein.

I remember having met Norman Davis when I was in Cuba with you, and thought him a very nice fellow. I have not had any chance to take up the matter with Davison. I know, however, that Mr. Vaughan used to come into the office in New York, and presume that our people would not be averse to interesting themselves in Cuba if they found a good opportunity to do so. On the other hand, they may feel that an entry into this field would merely be the commencement of another row with Speyer, with whom there are sufficient difficulties already in other parts of the World.

Our Chinese business is dragging along with no very immediate prospect for progress. We had our conference here in the middle of May as you know, but failed to come to terms with the Russians and Japanese, who attempted to enter our Combination not on the terms which we considered essential for our own mutual protection, but on terms which they had evolved as being most favorable to their own particular game. The result has been that while the British, Germans and ourselves were ready to go ahead, making provision for the entry of these two Powers later, the French who are always the weak link in our chain, are held up pending some sort of understanding with Russia. It is all very discouraging, and so complicated now that I very much fear it will be almost unmanageable.

In the meantime, Dorothy and I are staying on here in England, and have taken a house down near Billy Phillips, where I suppose we shall pass most of the Summer, in the vain hope that something will turn up, or that we may be able to find some solution to the present deadlock.

Fletcher departed on his way rejoicing, and Irwin Laughlin arrived a few days after you left and was much disappointed at missing you.

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His Excellency E. Morgan 31-5-12

We are all wondering what will happen in the State Department when T. R. comes in, as it seems almost certain he must do, for in a campaign of personalities as opposed to political issues, his own stands out as far and away the strongest in the Presidential field.

By this time I suppose you are getting settled down in your new Post and I sincerely hope that you are going to enjoy yourself, as well as carry on the splendid work you have already done in South America, and add fresh laurels to your already encumbered brow.

From the papers I judge that Mr. Wickersham has been putting a few flies in your amber with his attacks on the Coffee Trust. An Autocrat at the Breakfast Table like yourself will readily understand the terrible consequences of a dispute regarding Coffee even with your own cook, but it is the first time I should imagine that this particular sort of Bean-feast should have threatened to rupture all those traditional ties which all Ambassadors claim, bind their own Country to that to which they are accredited.

Dorothy would send her love did she know I was writing. Let's hear from you.

Yours ever

His Excellency
Edwin Morgan
American Ambassador
Rio de Janeiro, Brazil.

Accompanied Mr. McKnight's letter #164 of June 13th.

Peking, June..12th, 1912.

The Honourable Mr. Tong Shao-yi,
Premier Minister of the Chinese Government,
The Honourable Mr. Hsiung Hsi-ling,
Secretary of State for Finance.

Sirs,

In compliance with the request of the Chinese Government for an immediate advance of Shanghai Taels 3,000,000., and pending the decision of the Groups as to the whole question of financing the large requirements of the Chinese Government, the undersigned have the honour to state that they hold this day in Shanghai at the disposal of the Chinese Government, subject to the terms and conditions hereinafter set forth, the sum of Taels Three Millions Shanghai Currency (Shanghai Taels 3,000,000) for which sterling exchange has this day been fixed by the Banks in Shanghai at the rate of 2/9-1/4 per Shanghai Tael. The portion of this advance required in Peking will be made available in Kungfa Taels, or its equivalent in other sycee or in dollars, on the basis of Shanghai Taels 107-1/4 equals Kungfa Taels 100.

It is understood and agreed that:-

1. This present advance of Shanghai Taels 3,000,000 shall be treated in conjunction with the previous advances of a total amount of Shanghai Taels 6,100,000. referred to in our letter to you of May 17th and shall be secured in like manner as an equal charge upon the revenue of the Salt Gabelle.

2. All the provisional advances made under the letters of agreement respectively of 29th February, 9th March, 17th May and this present date, amounting in all to Shanghai Taels 9,100,000 shall be

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covered forthwith by Gold Treasury Bills for a term of one year, bearing the dates of the respective advances, which shall be taken by the Banks at a discount of Six per cent per annum together with One-and-a-half per cent for Commission and charges other than printing and engraving, or a net price of 92-1/2 per cent as follows:-

1912. February	29.	Shanghai Taels 2,000,000 @ 2/8-1/2 = £270,833. 6. 8 @ 92-1/2		=£292,792.15.10
March	9.	Shanghai Taels 1,100,000 @ 2/8 £146,666. 13. 4 @ 92-1/2		=£158,558.11. 2
May	17.	Shanghai Taels 3,000,000 @ 2/9-11/16=£421,093. 15/-	@ 92-1/2	=£455,236. 9. 9
June	12.	Shanghai Taels 3,000,000 @ £415,625.	2/9-1/4 @ 92-1/2	= =£449,324. 6. 6
Total of Treasury Bills to be handed to Banks				£ 1,355,912. 3. 3

The said Treasury Bills shall be for amounts and denominations and of a form or forms to be arranged by the Banks and shall be printed and/or engraved by the Banks at the expense of the Chinese Government. They shall bear the facsimile of the seal of the Chinese Government and of the signatures of the Premier Minister and the Secretary of State for Finance, and shall be sealed and signed by the Chinese Minister in London and/or Paris and/or Berlin and/or Washington and/or other capitals as may be indicated by the Banks, and by him handed to the Banks at their respective centres. The said advances and/or the Treasury Bills by which they are to be covered shall constitute an unconditional obligation on the part of the Chinese Government and shall be charged on the security of the Salt Gabelle in China, subject to existing charges, and shall have priority over all future loans charges and mortgages charged upon the said security, except in so far as they shall be required to rank equally with any future advances which may be made by the Banks or Groups participating in these advances. It is understood that if a comprehensive loan is concluded by the Chinese Government before the maturity of the said Treasury Bills the same are to be redeemed at maturity from the proceeds of such comprehensive loan.

3. The disbursement of this present advance of Shanghai Taels 3,000,000 shall be carried out in accordance with the Draft Regulations hereto annexed, which the Chinese Government accept for the supervision of the expenditure of any future advances made by the Groups under the contemplated programme, subject always to the right of the Groups to propose such changes and/or additions as may be required by the final instructions now awaited by the Group representatives, or as may be found by experience to be necessary for efficient supervision.

4. The sum of Shanghai Taels 1,000,000 of the present advance being intended for the redemption of Military Notes issued by the Financial Department of the Nanking Provisional Government and redeemable at the office of the "Chung Kuo Yin Hang" (Bank of China) the Group Banks in Shanghai are hereby authorized by the Chinese Government to pay the aforesaid sum to the Chung Kuo Yin Hang, against its receipts, in instalments to be mutually arranged; and it is hereby agreed that in this special case the spirit of the aforesaid Regulations will be fulfilled by the production to the Group Banks in Shanghai of the Note Register and of the cancelled notes so redeemed.

This letter is in duplicate and we have the honour to request that you will be good enough to signify your acceptance and confirmation of the arrangements and conditions herein contained by affixing your signatures to the statement to this effect below, re-

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taining one copy of the letter so executed for your files and returning the other to the undersigned.

We have the honour to be, Sirs,

Your obedient servants,

.....

Peking, June..12th..,1912.

We hereby accept and confirm on behalf of the Chinese Government the arrangements and conditions herein contained.

.....

.....

[6-12-12]

DRAFT REGULATIONS FOR THE SUPERVISION OF EXPENDITURE OF PROVISIONAL ADVANCES.

.....

1. An Audit Department to be created adjacent to the Ministry of Finance, composed of an Auditor employed and paid by the Groups, an Auditor employed and paid by the Chinese Government and the necessary foreign and Chinese staff who will be selected by the Auditors and paid by the Central Government.

2. All orders on the Banks for the withdrawal or transfer of funds must be signed by the said Auditors.

3. The Ministry of Finance will hand to the Banks periodically for their approval specific statements of the objects upon which it is proposed to expend these advances, and these statements having been passed by the Advisory Council will be published in the Official Gazette. The Ministry of Finance will further furnish to the Auditors all such detailed paysheets, statements, etc. as may be necessary to support requisitions for funds to be withdrawn from these advances and the Auditors after satisfying themselves that these detailed paysheets, statements, etc. are in order shall sign orders for withdrawal of funds in accordance therewith without further question.

4. Each disbursement made will be covered by a detailed voucher in accordance with the practice of modern account-keeping. These vouchers will be filed by the Ministry of Finance and will be inspected in the Audit Department by the Auditors.

5. With regard to the payment and/or disbandment of troops in the provinces, a high Military Officer and the local Commissioner of Customs will be deputed by the Central Government jointly to examine and sign the paysheets in triplicate w hich will be furnished to them by the local military authorities. The aforesaid high Military Officer and the Commissioner of Customs will be accorded all necessary facilities for investigation. Of the aforesaid signed paysheets one copy will be handed

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to the Governor of the Province, one to the Ministry of War, and the remaining copy together with the vouchers relating thereto will be transmitted to the Ministry of Finance in Peking, who will hand the same to the Audit Department for inspection.

6. The funds for disbursement will be in the custody of the local Commissioner of Customs, deputed by the Chinese Government, who, in order to save the expense of the unnecessary transfer of funds, will be entitled to employ the Customs revenue collection for disbursement, after the same has been duly released by a corresponding transfer by order of the Auditors from the funds of the provisional advances to the Inspector General of Customs' account in Shanghai. If there should be any deficit in the sum required by the Commissioner of Customs for disbursement it will be made up by a remittance from the funds of the provisional advances under an order of the Auditors.

7. In the case of disbursements for the payment and/or the disbandment of troops in Peking and its neighborhood a high Military Officer deputed by the Ministry of War will cooperate with the Auditors in examining and jointly signing the paysheets in triplicate, and the said high Military Officer and Auditors will be accorded all necessary facilities for investigation. Of the said signed paysheets in triplicate one copy will be handed to the Ministry of War, one copy to the Ministry of Finance with the vouchers relating thereto, and one copy will be retained by the Audit Department.

Peking, June 12, 1912.

Accompanied Mr McKnight's letter #266 of June 18.1912.

Peking,
June 18th, 1912.

The Honourable Mr. Lu Cheng Hsiang,

Secretary of State for Foreign Affairs,

Acting Premier Minister of the Chinese Government.

The Honourable Mr. Hsiung Hsi-Ling,

Secretary of State for Finance.

Sirs,

In compliance with the request of the Chinese Government for an immediate advance of Shanghai Taels 3,000,000., and pending the decision and the final instructions awaited from the Conference of the Groups now assembled in Paris, the undersigned have the honour to state that they hold this day in Shanghai at the disposal of the Chinese Government the sum of Taels Three Million Shanghai Currency (Shanghai Taels 3,000,000.) for which sterling exchange has this day been fixed by the Banks in Shanghai at the rate of 2s./9-1/2d. per Shanghai Tael.

It is understood that this present advance is for the following purposes:-

For payment and disbandment of troops in Nanking and/or Shanghai,	About Taels	1,200,000.
" " " " " " " Chefoo and/or Tengchow,	"	400,000.
Grant in aid for Province of Kansu	"	500,000.
Allowance to Imperial Family (on account)	"	500,000.
Salaries and expenses, Peking Ministries	"	100,000.
Compensation to clerks on reduction of establishments, Peking Ministries,	"	50,000.
Commutation of rice rations, Manchu Bannermen	"	100,000.
Payments due to Contractors, account Public Buildings	"	50,000.

The portion of this advance required in Peking will be made avail-

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able in Kungfa Taels, or its equivalent in other sycee or in dollars, on the basis of Shanghai Taels 107-1/4 equals Kungfa Taels 100.

It is understood and agreed that this present advance of Shanghai Taels 3,000,000. shall be treated in conjunction with the previous advances of a total amount of Shanghai Taels 9,100,000 referred to in our letter to the Premier Minister and the Secretary of State for Finance under date 12th June, 1912, and shall be included under and subject to the conditions of Articles 1, 2 and 3 of the said letter in respect to security and the issue of Gold Treasury Bills and the conditions of its disbursement.

In addition to the total amount of £1,355,912. 3. 3 Gold Treasury Bills to be handed to the Banks under the terms of the aforesaid letter of June 12th, 1912 the Gold Treasury Bills to be handed to the Banks in respect to this present advance, bearing date of June 18th, shall be calculated as follows:-

1912.June 18th.Shanghai Taels 3,000,000. @ 2/9-1/2 = £415,750. @ 92-1/2	= £452,702.14. 0
Total of Treasury Bills to be handed to Banks as per letter of June 12th, 1912,	£ 1,355,912. 3. 3
Total of Treasury Bills to cover advances to date,	£1,808,614.17. 3

This letter is in duplicate and we have the honour to request that you will be good enough to signify your acceptance and confirmation of the arrangements and conditions herein contained by affixing your signatures to the statement to this effect below, retaining one copy of

the letter so executed for your files and returning the other to the undersigned.

We have the honour to be, Sirs,

Your obedient servants,

.....

Peking, June.18th.,1912.

We hereby accept and confirm on behalf of the Chinese Government the arrangements and conditions herein contained.

.....

.....

The Willard Straight Papers at Cornell University

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TEL: BANK 5692.

COLLEGE OF ARMS,
QUEEN VICTORIA STREET. E.C.

June 19. 1912.

Dear Sir

I have made a very careful search in our Records for entries of the families of Straight Dickerman & Willard as you requested but I am sorry to say without very much result. So far as our Records officially & properly so called go I find no mention whatever of any of the names. None of these families

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are recorded as having borne
Arms nor has any pedigree of
any family of the name ever
been entered on the Official
Records. In the 16th & 17th centuries
the Heralds visited all the various
Counties in England & recorded
the Arms & pedigrees of all families
who were then entitled to arms
or of gentle birth & from the fact
of the name of none of these families
appearing in any of the "Visitations"
(which were held under Royal
Commission & enforceable by writs)

it would seem that Your ancestors at
that time cannot have been in
a position to claim Arms. They
have never since troubled to
officially record their pedigrees.
From various M.S.S. & Collections
of the Heralds from time to time
which we have here & from the
sources which I have consulted
I have found a few isolated
entries which may perhaps
afford some clue to Your Straight
ancestors though possibly the persons
named do not go far enough
back to be Your direct ancestors.

The Willard Straight Papers at Cornell University

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on 5 Nov. 1841. Robert Marshall
(1) Straight was admitted to the Inner
Temple & his entry describes
him as the 4th son of Samuel
Straight of Essex. (his son is the
present Sir Douglas Straight
sometime a Judge of the High Court
North West Provinces India & Editor
The Pall Mall Gazette 1896-1909.)

(2) at Wethersfield Church Essex
there is a monument to Walter
Straitt who died 5 Jan 1770.

(3) In one of the Heraldic collections here
mentioned above I find the following
short pedigree.

William Prior Johnson =
died Sept 1776

Mary = Nathaniel Straight

William Marshall | Robert | Eleanor Mary

[6-19-12] [2]

TEL: BANK 5002.

COLLEGE OF ARMS,
QUEEN VICTORIA STREET, E.C.

It would seem probable judging
from the similarity of the names
(Marshall + Robert) that
the last mentioned family
was in some way nearly related
to the Robert Marshall Straight
who was admitted to the Middle
Temple in 1841.
Beyond this I have been unable
to trace the family from any
entries here & I have completely
failed to find any entries of
either Dickerman or Willard

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I fancy that the Lobtaumed is an Irish family

I am sorry that the searches have not been attended by better results.

Yours faithfully
G. Woods Wollaston
Bluemouth

[6-23-12]

CONFIDENTIAL.

POLITICAL NOTE

In connection with Resumé of Negotiations regarding the "Reorganization Loan."

Owing to the peculiar nature of Chinese business, financial groups undertaking large Chinese loans have invariably been willing to do so only with the approval of their Governments. Since the outbreak of the Revolution, the Chinese Government has been disorganized, there has been no responsible central authority, and the Groups therefore more than ever before considered that they could not advance funds unless their action was approved and supported by their respective Foreign Offices, which for their part were desirous that the Groups should furnish sums sufficient, with proper guarantees, to enable the Peking Administration to establish its authority and to restore normal conditions throughout the country.

While loans to China in recent years have almost without exception created important diplomatic questions, the proposed Reorganization Loan, desired by four of the Great Powers in order that stable commercial conditions might be re-established, and acceptable to the Groups, despite the insolvency of China, because of the approval of their own Governments, assumed a political significance unequalled by its predecessors.

Since the conclusion of the Four Group agreement in 1910, the British, French, German and American Groups had formed a powerful and practical combination, their common interest being to promote and finance the development of China.

Russia and Japan, politically powerful, though financially dependent on foreign markets, resented their exclusion from a combination which carried great political weight, and which, moreover, they feared might menace the special interests and rights which they claimed to possess, despite their "open door" declarations to the contrary, in Manchuria, Mongolia and Western China.

These two Powers if they could not actually block business undertaken by the Four Groups, by intimidating the Chinese, were in a position to exact from China ample retribution in case she should attempt to utilize the Four Groups as an offset against Russian and Japanese aggression.

Furthermore, Great Britain is allied to Japan, and France to Russia, and all four Powers are joined by a network of "ententes" which would make it difficult if not impossible for the British and French Governments to support their respective Groups in any business distasteful to either Russia or Japan.

Russia and Japan might be unwilling to risk a struggle with either the United States or Germany regarding the "open door" in Manchuria, Mongolia or Western China, but neither Germany, because of her delicate position in Europe, nor the United States, because of the indifference of the American public to international politics, could undertake any military adventures to support Chinese sovereignty in the regions in question*. Of these facts Russia and Japan are aware. They could, furthermore, at any time occupy these territories in case China in the hope of German or American support attempted to question Russian or Japanese predominance therein.

*NOTE.—The idea that by admitting Austria and Italy into a Chinese loan, these Powers, bound to Germany by the Triple Alliance, might be induced to support Germany and America in resisting Great Britain, France, Russia and Japan in the Far East, is politically impracticable.

(7)

The Willard Straig

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Great Britain and France, however, although intimately involved with St. Petersburg and Tokyo, are like the United States and Germany (who cannot oppose Russia and Japan) anxious in so far as possible to preserve the "open door" and the integrity of China, and to further the development of that country.

In order to facilitate and insure this development it was highly desirable that the friendly co-operation of Russia and Japan should be secured, and furthermore, on the premise that these two Powers, might, perhaps, be best suited by the dismemberment of the Ancient Empire, it was necessary to check, if possible, any aggressive designs which they might entertain.

The only practical means to this end was to invite Russian and Japanese participation in the Reorganization Loan and Advances in the hope that the Four Power combination might be able to restrain where they could not resist.

This therefore was done. During the course of the negotiations following their acceptance of the invitation to designate Groups who should join with the Four Groups in Chinese business, both Russia and Japan have desired to secure recognition for their special interests and rights in Manchuria, Mongolia and Western China. This recognition the Four Groups were unwilling to give because of their frequently announced policy of friendliness to China. They therefore held that the matter was one which should be dealt with by the Governments concerned.

The Russians, and with them the Japanese, then arranged, in the Six Group Agreement signed on the 20th June, to protect their position by retaining the right to withdraw in case they disapproved of the purposes for which the Chinese might propose, and the other Groups might agree, the proceeds of any loan or advance should be expended.

The attitude of the Russians and of the Japanese was doubtless inspired by their desire to hold themselves free at any time to execute the political designs which they are believed to entertain. At the same time, in fairness both to Russia and Japan, it should be stated that they—the Russians particularly—either have believed, or for their own ends have pretended to believe, that the American Government and the American Group, since its entry into Chinese business, have been actuated by an anti-Russian and an anti-Japanese spirit, for the United States has been the Power most vociferous in its support of the "open door" and the integrity of China.

Both Russia and Japan justify their claim to rights and interests in Manchuria, Mongolia and Western China, far in excess of those conferred under treaties or conventions with China, by their expenditure of "blood and treasure" during the recent Russo-Japanese war. To the Chinese and to disinterested foreign observers, this expenditure may seem to have been gratuitous. At the same time the claims put forward by Russia and Japan, the most powerful though the least scrupulous factors in Far Eastern politics, cannot be said to be entirely without justification.

Russia and Japan regarded the scheme to neutralize Manchurian Railroads as evolved with the express intention of circumscribing the dominant position to which they considered themselves entitled and they believed the "Four Group" Agreement and the Currency Loan to be but the Neutralization Scheme in another form. Russia, moreover, has regarded the Schuster incident in Persia and the attitude of the American Government in the passport dispute, together with the Neutralization Scheme and the Currency Loan, and the support given Japan in the Russo-Japanese war as cumulative evidence of an anti-Russian policy on the part of the American Government.

For these reasons Russia and Japan, particularly the former, have perhaps been largely influenced in the recent negotiations by their desire to avoid becoming too irrevocably bound to a combination of Groups, whose activities the United States might, they feared, endeavour to direct along lines inimical to their interests.

The Chinese Government has throughout these negotiations been placed on the horns of a dilemma. The Treasury was empty. No money could be obtained either by domestic loans or by forced levies without arousing popular discontent to such a pitch that the position of the Government would be in danger. Foreign loans, therefore, afforded the only solution of the Government's financial difficulties. Certain high officials charged with the direction of affairs desired to create competition between the various financial Groups in order to obtain money on the easiest possible financial terms, and with the least possible measure of foreign supervision. These officials were not sufficiently statesmen-like to realise that the wisest policy for China to pursue would have been for her to enter into a mutually profitable agreement with the group of Bankers which was prepared to set her on her feet. They were not sufficiently experienced in Occidental methods to understand that foreign financial groups would not, for any long time at least, be willing to be played off one against the other in order that China might secure money on easier terms. But even had they been both statesmen-like and experienced, which some of them perhaps were, they did not dare consent to "control" conditions, the cession of which the Provinces, who do not under any circumstances wish to see a strong Central Government, would at once have made the signal for the cry that the country had been "sold to the Foreigner."

A failure to appreciate the position of the Bankers and a fear of criticism from the ignorant and chauvinistic leaders, produced by the Revolution, therefore induced the Government, such as it was, to follow a course which has increased rather than diminished the difficulties with which it would in any case have been obliged to contend. The Central Government can obtain no money from the Provinces because it has not the authority to enforce revenue collection. It cannot create the machinery through which to exert such authority without money. Money can only be obtained through Foreign Loans. The Foreign Groups will only make, and their Governments approve, loans the proper expenditure of which is adequately guaranteed. These guarantees the Government does not dare to give because their cession would almost certainly provoke a fresh Revolution. The Government is without money, without power to collect money from its own people, and without the courage to give to the Groups the guarantees they consider necessary, lest it should lose the paltry measure of authority even which it now has. The squaring of this vicious circle will be no easy matter, either for China or the Foreign Governments and Groups.

June 23rd, 1912.

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CONFIDENTIAL.

RESUMÉ OF NEGOTIATIONS

REGARDING THE "RE-ORGANIZATION LOAN"

TO THE

CHINESE GOVERNMENT

AND ADVANCES PRELIMINARY THERETO,

February to June, 1912.

CONFIDENTIAL.

RESUMÉ OF NEGOTIATIONS REGARDING THE "RE-ORGANIZATION LOAN" TO THE CHINESE GOVERNMENT AND ADVANCES PRELIMINARY THERETO,

February to June, 1912.

During the past five months there has been considerable discussion in the Press regarding the negotiations between the Chinese Government, and first, the so called "Four Nations Group," composed of the British Group represented by the Hong Kong and Shanghai Banking Corporation, the German Group represented by the Deutsch-Asiatische Bank, the French Group represented by the Banque de l'Indo Chine and the American Group consisting of Messrs. J. P. Morgan & Co., Messrs. Kuhn, Loeb & Co., the First National Bank, and the National City Bank, all of New York ; and later, the so called "Six Nation Syndicate," which was to be composed of the parties named above together with the Russo-Asiatic Bank representing an International Syndicate formed to handle the Russian share in Chinese business, and the Yokohama Specie Bank representing the nucleus of a Japanese Syndicate which it was intended later to form.

The present negotiations with the Chinese Government were commenced in the middle of February, shortly after the abdication of the Emperor of China, and the designation of His Excellency Yuan-Shi-Kai as Chief of the Provisional Government.

The then acting Minister of Finance, His Excellency Chou-Tzu-Chi, approached the representatives of the so called "Four Groups" at Peking, and asked for an immediate Loan to meet the urgent requirements of the Provisional Government. In response to the enquiries of the Group representatives, Mr. Chou stated that the Provisional Government would require 6,400,000 Taels per month, one-half of which would be used in Peking, and the balance "in the South."

On 26th February, Mr. Tang-Shao-Yi, representing the Republican Authorities at Nanking, arrived in Peking for the purpose of arranging the Coalition Government, in order to facilitate the formation of which, the Nanking President, Dr. Sun-Yat-Sen, had resigned his office in favor of Yuan-Shi-Kai.

On 27th February, at the invitation of Mr. Tang-Shao-Yi, the representatives of the Four Groups met him to discuss the question of the Loan which had been broached some days before.

During the course of this interview Mr. Tang, in response to the enquiries of the representatives of the Four Groups, stated the immediate requirements of the Chinese Government, and requested the Groups to finance the same. In addition he discussed the Chinese Revenues available as security for a large Loan to reorganize the Chinese Administration, and to initiate a scheme of commercial and industrial development. He asked the representatives how much China could borrow on this security, and finally, himself, suggested the figure of £60,000,000, which he wished the Banks to loan in five annual instalments of £12,000,000 each.

Pursuant to Mr. Tang's request for an immediate advance, the Groups on the following day advanced in Shanghai the sum of Shanghai Taels 2,000,000, regarding which they had previously been negotiating with Mr. Chou, to meet the urgent requirements of the Nanking Government.

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Letters covering this advance were exchanged between the Chinese Provisional Government and the Group representatives on February 29th.

The four representatives reported Mr. Tang's request that their Groups should make certain monthly advances and undertake the Reorganization Loan to their Principals in Europe and America.

No reply had been received when on the night of the 29th February a number of the Chinese Troops quartered in Peking mutinied, looted and burned portions of the city, and openly defied the authority of the Provisional Government.

On the following day, March 1st, it was suggested to Mr. Tang that inasmuch as the Groups in Europe and America were considering the question of advances to the Chinese Government, it would be desirable that he should make some statement to reassure them regarding the probable effect of the outbreak, and the ability of the Government to cope therewith.

Mr. Tang's explanation was unsatisfactory, and the burning and looting continued on the night of 1st March.

On March 2nd, acting under instructions from the Provisional President, the acting Minister of Finance addressed the representatives of the Four Groups and requested an immediate advance of 1,015,000 Taels. He stated in his letter that the President appreciated that in view of the critical state of affairs in Peking, the Groups would not be prepared to lend this money without the authority of their Governments, and requested the representatives to secure the necessary sanction from their Ministers as soon as possible.

The seriousness of the situation at this time is shown by the fact that on the same day Mr. Tang-Shao-Yi had addressed a note to the British Minister stating that he feared the Peking Authorities would no longer be able to control the situation, and requesting the Diplomatic Corps to take steps to assist the Chinese in preserving order. Yuan-Shi-Kai later denied having authorised Mr. Tang to take this action.

No other request for immediate advances other than that mentioned above was received by the Groups at this time.

On March 9th the necessary authority having been received from the Four Governments, the Groups advanced the sum of Shanghai Taels 1,100,000* (the equivalent of the Peking Taels 1,015,000 requested) under an exchange of letters, which

(1) Assured to the Groups the firm option for furnishing "the further monthly requirements of the Chinese Government for the months of March, April, May and June, and if necessary, July and August" and

(2) In view of the assistance rendered the Chinese Government in advancing the sums of 2,000,000 Taels and 1,100,000 Taels respectively, as well as in undertaking the contemplated advances for monthly requirements and maintaining Chinese credit on the markets of the world (by paying Chinese loan interest coupon charges which the Chinese Government itself had been unable to meet), the Chinese Government assured to the Groups the firm option on the Reorganization Loan (provided their terms were equally advantageous with those otherwise obtainable).

*NOTE.—Of this sum Taels 320,000 was paid to the Chinese authorities at Peking on March 9th, Taels 180,000 was transferred to the credit of Chinese Legations and Consulates abroad, and the balance, Taels 600,000, was paid to the authorities in Peking on March 12th, 1912.

From the proceeds of this projected Reorganization Loan it was intended to redeem the Treasury Bills, which were to be issued to cover the advances.

So urgent were the needs of the Chinese Government, however, that the Four Groups did not at this time arrange the terms upon which they would discount these Treasury Bills, it being impossible to settle this point until after the Conference in Europe of the Four Groups, which had been called for the 12th March.

On March 11th, Mr. Tang-Shao-Yi requested from the four representatives the sum of 5,000,000 Taels in addition to the sums for which he had already asked, thus confirming the impression which he had never led them to doubt, that the Chinese Provisional Government looked to the Four Groups to finance it during the following months, and to undertake the Reorganization Loan under the terms of the letter of March 9th.

The condition of China was chaotic. There was no generally recognized Government. No revenues, save those administered by the Maritime Customs Service—an organization under foreign direction—were being collected. The country was virtually bankrupt. Both the foreign Governments, however, and the Groups believed that normal conditions could be restored only in case the Provisional Republican Government obtained funds sufficient, if properly expended, to exert and extend its authority.

But before undertaking the task of setting China on its feet, the Groups felt that they must know the sums which the Provisional Government would require, and the nature and amounts of the revenues available as security for a loan to furnish the same.

Conference of March 12th.

On March 12th the Four Groups met in Conference in London, and authorized their representatives at Peking to negotiate an agreement with the Chinese Government, under which the Four Groups would furnish the monthly requirements requested, and would, subject to certain guarantees, undertake the Reorganization Loan.

The guarantees required fell under three heads :—

1. Definite statement by China of amounts needed, and security available for advances and loan desired.

Mr. Tang had on February 27th stated the sums he would require for the months immediately succeeding, had requested a Reorganization Loan of £60,000,000, and offered to pledge the revenues of the Salt Gabelle, the administration of which he proposed to reform, as security therefor.

The Groups were satisfied that when normal conditions were restored the security offered would be ample if the loan were issued in series, at such times and in such amounts as the increase in the collection of the hypothecated revenues might warrant.

2. Protection of the security in China available for the contemplated loans, and of the issues made by the Groups on the markets of the world.

Before undertaking the responsibility of issuing a loan of £60,000,000, or rather a series of loans, in the aggregate amounting to that sum, the Groups were obliged, in order to protect themselves and the prospective purchasers of the bonds, to obtain assurances that until this loan had been issued in entirety the Chinese Government would not negotiate any other loan or advance with other parties, or in any other way impair the value of the Treasury Bills which the Groups were prepared to discount, or prejudice the market for the bonds of the loan of £60,000,000 which the Groups were prepared to undertake, or otherwise lessen the value of the security hypothecated for the Treasury Bills or the loan out of the proceeds of which it was intended to redeem the same.

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3. Supervision of expenditure to ensure the proper use of loan funds.

The Groups and their respective Governments felt obliged to insist upon adequate supervision in view of the disorganized state of the Chinese Administration, and because, after numerous unsatisfactory experiences due to the corruption of the mass of Chinese officials, the Governments were not willing to support, nor the Groups to make, loans under contracts which did not contain the safeguards necessary to ensure proper expenditure.

The Groups, therefore, after the conference of March 12th, instructed their representatives that they would continue advances to the Chinese Government against Treasury Bills, and engage to issue the Reorganization Loan if China would furnish guarantees as explained above.

On the afternoon of the 14th, Mr. Tang was informed that the Four Groups were prepared to finance the stated requirements of the Chinese Government, with one unimportant exception,* and that a draft agreement embodying the conditions on which they would be willing to undertake this business would be submitted to him on the following day.

Signature of "Belgian Loan."

The terms on which the Groups were prepared to undertake this business were not, however, communicated to the Chinese Authorities, for on the evening of the 14th the four representatives learned that the Chinese had that morning concluded with the so called "Belgian Group" a loan of £1,000,000 carrying the option for a further large loan.

This was done at a time when the President and Mr. Tang knew that the representatives were hourly expecting a definite reply from the Four Groups to the proposals made by Mr. Tang on February 27th.

Yuan-Shih-Kai had been inaugurated as Provisional President of the Chinese Republic on the 10th March, and Mr. Tang-Shao-Yi had been appointed Premier on the 13th of that month.

The signature of the "Belgian Loan" was virtually the first official act involving the new Administration's relations with foreigners. It was a clear breach of contract. It was more than that. The Groups, more especially the British, French and German, had since the outbreak of the Revolution in October, been themselves advancing funds to pay interest charges on Chinese Loans which they had issued. They had done this to protect the public to which they had sold Chinese Bonds, and to protect the credit of China where they had very large vested interests.

Despite the chaotic state of the Chinese provinces, and the inefficient and almost powerless administration in Peking the Groups with the support of their Governments had been ready to advance to China sufficient funds to put the administration on its feet at a time when no public issue of Chinese Bonds was possible, in order to do their part in assisting the administration to restore stable conditions. The Groups before engaging to do this had asked and been told the amounts which the then Government estimated would be necessary for this purpose. These sums they were willing to furnish on the condition that the Chinese Government by borrowing only through them enabled them to undertake the operation in such manner that while the Chinese

*Note.—The Chinese Government at this time desired Taels 11,100,000 during March, and Taels 6,400,000 per month during April, May and June, and possibly July and August. The Taels 5,000,000 requested on March 11th was over and above this amount. Of this amount the Groups agreed to advance Taels 2,000,000 for payment of troops, but refused to advance Taels 3,000,000 for the redemption of military notes.

Government secured the necessary funds the public which in the last instance would furnish the £60,000,000, required for reorganization purposes, would be assured that each series issued would be properly secured and wisely expended.

Not only therefore was the "Belgian Loan" a breach of contract. It affected the prospective security for the large loan which the Groups were prepared to undertake—and it carried no guarantee whatsoever that the funds furnished or to be furnished would be properly expended. In other words, it increased China's liabilities without insuring any increase in the effectiveness of her administration; it prejudiced the market for the Bonds which the Groups were prepared to issue, and diminished the security available therefor.

Mr. Tang met the Four Group representatives on the 15th of March. In response to their questions regarding the "Belgian Loan" and their statement that the signature thereof constituted a violation of the provisions of the letters of Agreement of March 9th, Mr. Tang asserted that the Groups had refused to render assistance when China most needed it—namely, immediately after the outbreak of February 29th, and that he had been obliged therefore to borrow elsewhere.

This statement, as is shown by the facts stated above, was untrue.

Mr. Tang further alleged that a Preliminary Agreement for the "Belgian Loan" had been signed in February, and that the Agreement of March 14th therefore did not constitute a violation of the Agreement of March 9th. Mr Tang further asserted that in any case the Four Groups could not claim a monopoly of Loan business.

The Group representatives pointed out—

1. That if the Agreement of February had been a *bona fide* contract, the Chinese Government could have obtained the funds which it so urgently needed under the terms thereof. That this had not been done, and that the Agreement of March 14th, therefore, must be considered the only binding and effective instrument signed by the "Belgian Group."

2. That the Four Groups claimed no monopoly, but merely insisted upon their rights under the letters of March 9th, giving them the option to furnish the funds which the Premier himself had requested them to provide.

Mr. Tang inquired whether or not the Four Groups were prepared to continue advances. The representatives replied that though they had been directed to do so, under certain conditions—the signature of the "Belgian Loan" had so materially altered the situation that they could not proceed without fresh instructions.

The "Belgian Loan" Contract was drawn subject to ratification by the "Advisory Council" at Nanking.

Despite the protest made by the Four Group representatives on March 15th Mr. Tang urged, and finally pursuaded, the Council to ratify the "Belgian" Contract, on the ground that the Four Groups had refused to assist China after the outbreak of February 29th. There is no evidence that Mr. Tang at this time informed the Council of the existence of the letters of March 9th.

Protest of March 25th.

The representatives of the Four Groups at Peking referred the whole question to their Principals, and on 25th March, after carefully examining the case, the Four Ministers protested to the Chinese Government against its action in signing the "Belgian Loan," as constituting a violation of the Contract of March 9th, entered into with the Four Groups.

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Russian and Japanese Participation.

After protracted negotiations during the winter 1911-12, the British, French, German and American Governments had agreed to invite the Russian and Japanese Governments to designate Financial Groups who should participate with the Four Groups in Chinese financial business. This invitation, which had been anticipated for some time, was finally extended at the end of February. The Four Groups at the instance of their respective Governments had agreed to accept Russian and Japanese co-operation in the Reorganization Loan and Advances, and the Provisional President, Yuan-Shih-Kai, in response to their enquiries, had officially informed the representatives of the Four Groups that he approved the admission of Russian and Japanese interests in the contemplated financial operations.

The Russo-Asiatic Bank has for some years been the politico-financial agent of the Russian Government in the Far East. It has for over a year been the leader in a syndicate now composed of J. H. Schroeder & Co., and the Eastern Bank, Ltd., of London, Spitzer & Co. of Paris, and the Banque d'Outre-mer, and certain other Belgian financial institutions. Early in February, 1912, this syndicate, through the Russo-Asiatic Bank, Shanghai, negotiated with the authorities at Nanking a contract for a loan of about £1,500,000. The Russian Government in the meantime, however, had agreed with the British, German, French, American and Japanese Governments to observe a policy of "strict neutrality," *i.e.*, not to permit its nationals to loan money to either of the rival "Governments" in China. The loan mentioned above was therefore abandoned by the Russo-Asiatic Bank Group, under instructions from the Russian Government.

This same Group, however, continued to conduct *pour-parlers* with the Peking authorities, through the representatives of the Banque Sino-Belge and the Russo-Asiatic Bank, the latter however, in view of the negotiations for the admission of a Russian Bank to the Four Power-Group, assuming a subordinate role in the actual dealings with the Chinese.

When the Four Groups agreed on February 27th to advance the Tls. 2,000,000 urgently needed at Nanking, the Russian and Japanese Legations in Peking were advised and approved of this emergency measure on being assured that provision would be made for retrospective participation by the Russian and Japanese Banks if such were later designated by these two Governments.

The so-called "Belgian Loan" signed on March 14th was, however, in point of fact undertaken by the Russo-Asiatic Bank Group, for although the contract was signed by the representative of the Belgian interests associated with the Russo-Asiatic Bank and a representative of the Eastern Bank, the Peking representative of the Russo-Asiatic Bank stated that while he had not signed the contract because the Russian Minister of Finance had designated the Russo-Asiatic Bank to co-operate with the Four Groups, he had in reality negotiated the loan, with the approval of the Russian Finance Minister, because the Four Groups had on February 29th advanced Tls. 2,000,000, without Russian co-operation.

On April 1st the Japanese Chargé d'Affaires at Peking notified the Ministers of the Four Powers that the Japanese Government had accepted the invitation of the Four Governments to designate a Group to participate "on a basis of equality" in the Reorganization Loan and in the Advances preliminary thereto. He also stated that the Yokohama Specie Bank had been designated to take up the Japanese share, and that the Japanese Syndicate would be represented in Peking by Mr. Odagiri. This information was telegraphed to London, and on the following day, April 2nd, the Four Groups instructed their Peking representatives to admit Mr. Odagiri to their meetings and negotiations.

On April 3rd the British Foreign Office notified the Hong Kong and Shanghai Bank, London, that the Japanese Government had designated the Yokohama Specie Bank to represent the Japanese Syndicate, which would undertake the Japanese share in the Reorganization Loan and Advances.

The Japanese Government accepted the invitation to participate in the operations above-named on condition that the proceeds of the Advances and of the Loan in question, should not be expended in such manner as to prejudice the special rights and interests of Japan in Southern Manchuria and Eastern Mongolia.

On April 16th the British Foreign Office notified the Hong Kong and Shanghai Bank, London, that the Russian Government had accepted the invitation to participate "on a basis of equality" in the Reorganization Loan and Advances, and had designated the Russo-Asiatic Bank as its Agent for this purpose. Russia accepted the invitation of the Four Powers "to join with them in these operations" on condition that the proceeds of the Reorganization Loan and Advances should not be expended in such a manner as to prejudice the special rights and interests of Russia in Manchuria, Mongolia and Western China.

On April 24th, the Russo-Asiatic Bank, St. Petersburg, formally notified the Four Groups that they had been designated "to represent the Russian Government in undertaking a participation with the other Powers" in the Reorganization Loan and Advances, and stated that Mr. de Hoyer would represent the Russo-Asiatic Bank in Peking.

On April 27th, the Four Groups instructed their Peking representatives to invite Mr. de Hoyer to participate with them in their meetings and negotiations.

In admitting the representatives of the Russian and Japanese Groups to the meetings of the Four Group representatives in Peking, the Four Groups did not in any way commit themselves to accept the reservations made by Russia and Japan in the diplomatic notes addressed to their respective Governments. The Four Groups took this step, at the instance of the Four Governments, solely to facilitate the agreement with the Russian and Japanese Groups as to the details of the Six Group co-operation, which it was hoped would be reached at the Conference, arrangements for which were then being made.

It was intimated to the British and American Groups that their respective Governments were willing to acquiesce in the Russian and Japanese reservations regarding Manchuria, Mongolia and Western China, on the understanding that the special rights and interests referred to were those defined by treaties and conventions between these two Powers and the Chinese Government.

Chinese request Groups resume negotiations.

Despite the formal diplomatic protest against the conclusion of the "Belgian" loan entered by the four Ministers at Peking on March 25th, the Chinese Premier, Mr. Tang Shao Yi, attempted to secure further funds from the "Belgian" Group. This failing, the Chinese Government on April 15th replied to the protest from the four Ministers describing the signature of the "Belgian" Loan—and the violation of the letters of agreement of March 9th, as a "misunderstanding," and requesting the Ministers to instruct the Group representatives to resume negotiations with the Premier on his arrival at Peking April 19th.

The four Ministers refused to accept the explanation offered by the Chinese Government, and insisted that it should admit its breach of contract with the Four Groups.

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On April 18th the Four Groups authorized their representatives to resume negotiations for the monthly Advances and Reorganization Loan on condition that the Chinese Government recognised the signature of the "Belgian" Loan to have been a violation of its obligation to the Four Groups under the letters exchanged March 9th. The Four Groups stated, however, that they would be willing to ignore the advance of £1,000,000 made by the "Belgian" Syndicate on condition that China cancelled the option on the large loan (reported to be £10,000,000) held under the contract of March 14th.

On the 23rd April the four Ministers informed the Premier, Mr. Tang, of the conditions on which the Groups would be prepared to resume negotiations, *i.e.*, that the Chinese should frankly recognize the signature of the contract with the "Belgian" Group to have been a violation of the agreement entered into by China with the Four Groups on March 9th. Mr. Tang replied that he would consult the President, but advised the Ministers that the Chinese Government would immediately require Taels 35,000,000.

On the 29th April the Peking representatives reported that the four Ministers had received from the Chinese Government a statement which they considered satisfactory, and had authorized the Group representatives to resume negotiations.

On the 1st May, the Chinese Government submitted a statement of its weekly requirements for six weeks from that date, and for its monthly requirements for the four months commencing with June 15th.

The Conference of the Six Groups had been called for May 15th, however, and in view of the very unsatisfactory conditions in China reported by the Peking representatives on April 25th, the Four Groups did not wish to commit themselves to finance the Government for a longer period than necessary, pending the full discussion of the situation in the approaching Conference.

Nevertheless, on May 4th, they authorized their Peking representatives to advance the sums requested by the Chinese Government for the first three weeks, *i.e.*, sufficient to carry the Government up to and shortly after the date set for the Conference of the Six Groups—provided these advances were properly secured and adequate guarantees given by the Chinese Government that the funds would be properly expended.

The London representative of the Yokohama Specie Bank subscribed to this message. It was impossible at that time to obtain an expression from the Russian Group.

Regulations for supervision of expenditure.

The Chinese however objected to any form of effective guarantee as to proper expenditure, and it was not until May 12th, that the Peking representatives of the Groups were able to report that the Chinese had consented to give satisfactory guarantees, namely:—to the appointment of a foreign Auditor by the Groups, who should act with an Auditor to be appointed by the Chinese Government, in signing requisitions on loan funds, returns of expenditures for payments made for the disbandment of troops to be signed by the foreign Commissioners of Customs, at the points where disbandment was in progress, as well as the Chinese military officers in charge.

In view of the acceptance of participation by the Russian and Japanese Groups "on a basis of equality," the Four Groups on May 4th also instructed their Peking representatives to invite the Russian and Japanese representatives to contribute their retrospective pro rata share in the advances of 3,100,000 Taels made prior to that date, and further to join with the Four Groups in making the further advances authorised by the telegram of May 4th.

Conference of May 15th.

At the Conference held in London on the 15th of May, the Four Groups failed to reach an agreement with the Russian and Japanese Groups. The points at variance with the Japanese were:—

1. The desire of the Japanese Delegate to insert either in the proposed Agreement to govern the relations between the Six Groups, or in the Minutes of the Conference, a declaration that the proceeds of the Reorganization Loan and Advances should not be expended in Manchuria and Mongolia, and the inability of the Japanese Delegate to accept the suggestion of the Four Groups that a Clause be inserted in the Agreement to the effect that the Loan and Advance proceeds would not be expended for purposes prejudicial to the special rights and interests of Japan in these regions, either as defined by treaties or conventions between Japan and China, or as recognised by the Powers:—

2. The unwillingness of the Japanese Delegate to adhere to certain provisions which the Four Groups considered essential, in order to avoid confusion in their respective markets and for their mutual protection, namely:—

(*a*) Each of the Four Groups was bound to offer to the others an equal participation with itself in any Chinese Loan business undertaken by it, excepting only ordinary banking transactions and small loans falling within the scope of the same. The Japanese Group, however, desired to reserve the right itself to deal with loans to Companies whether or not they carried a Government guarantee.*

(*b*) The Four Groups held further that each Group should issue its share of any loan undertaken in its own market (*i.e.*, British share in London, French share in Paris, etc.), or in case it desired to issue in the market of another Group, it should do so only through that Group. The Japanese, however, desired to issue part or all of their share through their London branch.

The Russian Delegate, in the draft agreement which he had prepared as embodying his views, also desired to stipulate that the proceeds of the Reorganization Loan should be used for the general requirements of China and not for any special undertakings which might prejudice the rights and interests of Russia in Manchuria, Mongolia and Western China.

This point, however, was not discussed, inasmuch as the Russian Delegate claimed to represent, not a Russian Group, but the Russian Government, which claimed absolute freedom in disposing of its share of the Reorganization Loan and Advances, would refuse to issue in London and Paris, as was deemed necessary by the Four Groups, only through the British and French members of the Four Group Combination, and would insist upon its right to issue the Russian share through the financial institutions associated with the Russo-Asiatic Bank, namely, the Syndicate which had negotiated the so-called "Belgian Loan" with the Chinese Government.

* Note.—It is reported from Tokyo that the "East Asian Syndicate" has contracted to loan the Kiangsi Railway Company £5,000,000. The "East Asian Syndicate" is an organization of the most important Japanese Banks, of which the Yokohama Specie Bank is one, and was formerly represented in China by Mr. Odagiri, now the Japanese Group's representative at Peking.

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In view of the association of the Russian Bank with these non-Russian interests, the Four Groups did not feel in a position to discuss the various other points raised by the Russian Delegate.

Both the Russian and Japanese Delegates then withdrew, and the Four Groups decided, themselves, to proceed on the old basis as defined in the Inter-Bank Agreement of November 10th, 1910.

On May 15th, therefore, the Four Groups authorised a further advance of 3,000,000 Taels to the Chinese Government, subject to the guarantees regarding the proper expenditure of the same reported from Peking on the 12th of May, but instructed their Peking representatives that neither the Russian nor Japanese Banks should participate in this advance, or take up their retrospective participation in the advances previously made, pending an agreement with the Four Groups.

This sum was advanced on May 17th, under a letter of agreement re-affirming the option given the Four Groups on March 9th, 1912, for furnishing the monthly requirements of the Chinese Government and for undertaking the Re-organization Loan. To this letter were annexed the regulations* which had been approved by the Chinese Cabinet and the Advisory Council, acting in its capacity as a temporary National Assembly, guaranteeing the proper expenditure of the sums advanced. Provision was also made for the retrospective participation of the Russian and Japanese Banks.

The representatives of the Four Groups in the London Conference agreed further, subject to the approval of their respective Principals and Governments, to despatch to Peking a telegram of instructions,† laying down the conditions upon which they would be willing to proceed with further advances and undertake the Reorganization Loan, and providing for Russian and Japanese participation in these operations, if an understanding could later be reached with the Russian and Japanese Banks.

On May 24th, the Peking representatives were given discretion to make a further advance of 3,000,000 Taels, on the same conditions as the advance authorized on May 15th.

The Peking representatives on May 28th, also requested discretion to advance an additional 2,000,000 Taels as a Credit for Famine Relief. To this advance the British and German Groups agreed.

The French Group, however, stated that the French Government would not permit them to take any further action whatsoever, either as regards the advance of 2,000,000 Taels for Famine Relief, or as to the despatch of the long telegram of Instructions to Peking, until every effort to come to an arrangement with the Russians had been exhausted.

On the 4th of June, M. Verstraete, the representative of the Russian Group, after protracted discussions with the representatives of the French and American Groups in Paris, met the representatives of the British and American Groups in London. A virtual understanding was reached with regard to the proposed Six-Group Agreement, two important points only remaining outstanding, namely the Russian reservation regarding Manchuria and Mongolia, and the question of the issue of a portion of its share by the Russian Group through its associates in London and Brussels, and not in London solely through the British member of the Four Group combination.

Conference of June 7th.

A further "Six Group" Conference, therefore, was called to meet in Paris on June 7th. The discussion lasted for two days, and an agreement was reached on all

*Note.—*See* last paragraph, page 8.

†Note.—*See* Note, page 14.

points at issue, with the exception of the Russian and Japanese reservations frequently referred to above, and the matter of the issue of a portion of the Russian share in London.

The Russian Delegate insisted not only upon receiving the privilege to issue a portion of the Russian share in the British Market—a privilege which was readily accorded by the British Group—but demanded the right to issue through a specific house in London, which had not been identified with Chinese finance, except as regards the "Belgian Loan," and which was not a member of the recognized British Group for Chinese business. The Japanese and the American Groups stated that if this privilege were accorded to the Russian Group, they would insist upon having the right to issue through their own associates in England, France and Germany. The German Group announced that it also would insist upon issuing in London through its own institutions. The Four Groups, therefore, refused to agree to the Russian proposal, as it was considered that under the circumstances any departure from the established principle that no Group could issue in the market of another except through that Group, would result in such confusion as to render the business impracticable.

The difficulty with regard to Manchuria and Mongolia, moreover, still remained unsettled. It was proposed that the Four Groups should recognise the rights and interests of Russia and Japan as defined by treaties and conventions with China. This was refused. It was then proposed to insert as Clause VI. in the Six-Group Agreement, a provision that the proceeds of the Reorganization Loan and Advances should be expended for the general requirements of the Chinese Government, and that no special enterprise should be undertaken without the unanimous consent of the Six Groups.

This clause, while making no specific reference to Manchuria and Mongolia, had it been adopted, would have enabled the Russian and Japanese Governments, through their Groups, to veto any enterprise which they considered prejudicial to their interests in these regions. It was felt, however, to be a satisfactory compromise as it eliminated all reference to Manchuria and Mongolia, and left the ultimate decision as to the merits of any special enterprises which China and the Four Groups might wish to undertake, and to which Russia or Japan or both might object, not to the Groups, but to the Governments concerned.

The provision described above was inserted in the proposed Six Group Agreement, and the representatives of the Six Groups at the close of the first day's Meeting, agreed to sign the same, subject to the confirmation of their respective Groups and Governments.

On the morning of June 8th, however, the Japanese Delegate announced that he would be unable to accept the clause drafted the day before, and that he had been instructed to make the following declaration:—

> "The Japanese Bank declared that it takes part in the loan on the understanding that nothing connected with the projected loan should operate to the prejudice of the special rights and interests of Japan in the regions of South Manchuria and of the Eastern portion of Inner Mongolia adjacent to South Manchuria."

The Russian Delegate then stated that he desired also to make a declaration as follows:—

> "The Russian Group declared that it takes part in the loan on the understanding that nothing connected with the projected loan should operate to the prejudice of the special rights and interests of Russia in the regions of Northern Manchuria, Mongolia and Western China."

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After consultation between themselves the Four Groups agreed to insert the Russian and Japanese declarations in the Minutes of the Conference, themselves making a counter declaration as follows:—

> "The British, German, French and American Groups stated that they were unable to accept or consider either of these declarations upon the ground that they were not competent to deal with political questions."

The Japanese and Russian Delegates were unwilling to accept this counter declaration. It was therefore agreed that the three declarations should be embodied in a separate Memorandum, which should not form part of the Minutes of the Conference, but be kept as a matter of record of the actual position taken by the Groups.

The form of agreement approved the previous day was initialled for identification and the Conference adjourned until Saturday, June 15th, in order to enable the Russian and Japanese Delegates to obtain a final and definite reply from their respective Groups and Governments as to whether or not they would co-operate with the Four Groups on the terms set forth therein.

The Four Groups informed the Russian and Japanese representatives that if on the 15th June they were not in a position to come to an agreement, the Four Groups would be obliged to reserve to themselves the right to take such action as they might see fit.

On June 11th the Japanese Ambassador in London informed Mr. Addis, of the Hong Kong and Shanghai Banking Corporation, that he quite appreciated the position of the Four Groups in respect to the Japanese declaration regarding Manchuria and Mongolia. He stated that in case the Four Groups agreed to the insertion of the Japanese declaration in the Minutes of the approaching Conference, he would be prepared to accept from them a counter declaration in the following terms:—

> "The British, German, French and American Groups stated that they were not in a position to express their views upon either of these declarations upon the ground that they were not competent to deal with political questions,"

and would instruct the Japanese delegate to sign the proposed Six Groups' agreement forthwith, deleting the Clause VI. inserted at the Conference of June 7th.

On June 12th, the Russian Delegate requested the French Group to endeavour to secure an adjournment of the proposed Conference from June 15th until June 18th, on the ground that he had been unable to get into touch with his Government, the Ministers of State being absent in Moscow in connection with some National Celebration. The French Government also brought pressure to bear upon the French Group to secure this adjournment.

On the 6th of June the Peking representatives of the Four Groups telegraphed that the Advisory Council, which had originally approved the Regulations of May 17th, objected to the separate audit department that had been established, and to the Commissioners of Customs supervising in any way the disbandment of troops. The Chinese also intimated that if the Groups refused to modify their terms, they would be obliged to raise a domestic loan. In other words, the Advisory Council was unwilling to furnish the guarantees which the Groups considered necessary to ensure the proper expenditure of the funds they advanced. The Groups' representatives refused to modify the regulations of May 17th, and stated that in view of conditions in China the Groups had been willing to advance funds at all, even under proper guarantees, only because they desired to assist the Government. The representatives added that the Groups would be greatly pleased if the Chinese Government could see its way clear to obtain the necessary funds from its own people.

The Chinese gave way, however, and on June 13th the representatives of the Four Groups at Peking telegraphed that they had advanced the 3,000,000 Taels authorised on 24th May, subject to the regulations of 17th May.

The representative of the American Group at Peking had also telegraphed on the previous day, stating that the Chinese, unless they were assured an additional 6,000,000 Taels by the 17th of June, with a guarantee of a further 16,000,000 Taels before the end of the month, would attempt to borrow elsewhere. This information was confirmed by a joint telegram received from the four representatives on June 14th.

Despite the urgency of the situation in China and the necessity which all recognised, that, if the Six Groups failed to come to an agreement, the Four Groups must at once decide upon the course which they proposed to pursue, it was deemed wise to postpone the Conference in accordance with the Russian request, the Four Groups being willing, at the instance of their Governments, to use every endeavour to reach an understanding with the Russian and Japanese Groups.

On June 14th, therefore, a copy of the proposed telegram of instructions* to Peking stating the basis upon which the Four Groups—or in case an agreement was reached, the Six Groups—would be prepared to continue advances and undertake the Reorganization Loan, was handed to the Japanese Delegate in London. The text thereof together with a statement of the Japanese proposal regarding their declaration as to Manchuria and Mongolia was also telegraphed to the Russian Group, in order to enable them if possible to give a definite reply, both as to the proposed Six Group Agreement and as to the proposed telegram of instructions to Peking, on the date of the Conference.

The situation, moreover, was explained to the Chinese Legation in London, which appreciated the difficulties attending the negotiations of the Four Groups with the Russians and Japanese, and promised to telegraph to Peking urging that the demand for further advances be held in abeyance until after the approaching Conference.

The British, American, French and (German?) Legations at Peking were also instructed to explain to the Chinese Government the reasons for the Groups' delay in submitting their final proposition, and to urge them to take no action until after the Conference fixed for June 18th.

Conference of June 18th.

The Groups met in Conference in Paris on the 18th of June. The Russian Delegate informed the Meeting that his Government had agreed to accept the counter declaration from the Four Groups suggested by the Japanese Ambassador in London† and authorised him to sign the Six Group Agreement, deleting Clause VI., on the understanding that no business should be entertained under the Agreement except with the unanimons consent of all the Six Groups.

Mr. Verstraete proposed to insert a declaration to this effect in the Minutes.

This was refused on the grounds that it would give to any one of the Groups the right to veto any enterprise which the other Groups might legitimately desire to undertake.

After considerable discussion a formula was agreed upon stating that the Groups desired to act unanimously on all occasions, and that in view of the extraordinary conditions now prevailing in China, each of the Groups would consult its Government before concluding any loan or advance and would not entertain business to which its Government might object. This was inserted in the Minutes.

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* Note.—*See* page 10.

† Note.—*See* page 12.

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The Six Group Agreement was then signed by all parties, the Russian Delegate, however, stating that his signature was subject to confirmation by his Government.

On June 19th, the Russian Delegate announced that his Government approved the Agreement, on the understanding that in case the Russian Government should disapprove any of the purposes for which it was proposed to expend funds advanced to China, and should so notify the other Governments concerned, the Russian Group should be entitled to withdraw and regain complete liberty of action, remaining bound however by all financial engagements entered into prior to such withdrawal.

The Japanese Delegate announced that he was obliged to request that any concessions made to the Russian Group should apply equally to the Japanese.

In view of this fact and also because of the practical certainty that if the Russian Group withdrew, the French Group would be obliged also to do so, acquiescence in the Russian condition amounted virtually to granting the Russian Group a veto power, as it was improbable that the British, American and German Groups would be prepared at any time to proceed without the co-operation of the French finance and in the face of probable political opposition of Russia and Japan.

The Russian reservation was nevertheless accepted by the British and French Groups. The German Group also accepted on the understanding that this power of withdrawal should be shared equally by all the Six Groups.

The American Group, however, did not accept the Russian proposal, but requested that the matter be held over till the following day, in order to ascertain the views of the American Government and the American Group.

On June 20th, the American Group, with the approval of the Department of State, also agreed to accept the Russian reservation on the understanding that the power of withdrawal should apply equally to all Groups. This proposition was accepted by the Russian and Japanese Delegates, the Agreement was signed, and the Six Groups agreed upon the text of the telegram of instructions to Peking, setting forth the conditions upon which the Six Groups were prepared to make advances and undertake the Reorganization Loan. This telegram was practically identical with that agreed upon by the Four Groups upon the 15th of May.*

*NOTE.—The Groups were prepared to advance a total amount of 80,600,000 Taels requested by the Chinese Government, approximately £10,000,000, against Treasury Bills to be issued in Four Series of £2,500,000 each (equal amounts in Sterling, Marks, Francs, Dollars, Roubles, Yen), to finance the Government up to and including November, provided:—

1. That the Groups approved the purposes for which the Chinese proposed to expend the advances.
2. That the Revenues pledged as security should be administered either by the Maritime Customs or a separate but similar service to be established and under foreign direction.
3. That the expenditure of the advances should be subject to regulations similar to those annexed to letters of Agreement dated May 17th (these regulations are described on page 8, final paragraph.)
4. That these advances should be considered as advances on account of the Reorganization Loan of £60,000,000, for which the Groups held the option under the Letters of Agreement of March 9th and May 17th, the Treasury Bills against which the advances were to be made to be redeemed from the proceeds of the First Series of this Loan.
5. That the Agreement for advances contained a Clause laying down the general basis of the Contract for the proposed Reorganization Loan as follows:—
   (*a*) Prior to the conclusion of the Agreement for each Series of this Loan, the Chinese Government to furnish the Groups for their approval detailed statements of the purposes for which the proceeds were to be expended.
   (*b*) Requisitions on loan funds to be jointly signed by a Foreign Official to be employed by the Chinese Government, and by a representative appointed by the Groups, and the Chinese Government to employ foreign Auditors to check expenditure and countersign quarterly and annual reports thereof to be published for the information of the public and the Groups, also foreign technical experts to supervise industrial enterprises undertaken with loan funds.
   (*c*) China to place the Salt Gabelle or other revenues pledged as security for the Reorganization Loan under the Maritime Customs, or a separate but similar service to be established and under foreign direction. The hypothecated revenues to be paid into the Group Banks under an arrangement similar to that now existing with regard to the Maritime Customs Service, the balance of collections after the service of the loan had been met to be handed over to the Chinese Government.
6. That in view of the magnitude of the monthly advances and the contemplated Reorganization Loan, the Chinese Government should not negotiate or contract any loans with parties other than the Groups, while the advances were being made or until the Reorganization Loan had been issued in entirety, or otherwise prejudice the value of the Treasury Bills or the market for the Reorganization Loan.
7. That concurrently with the signing of the agreement for advances, the Chinese Government should enter into an arrangement whereby the Groups should act as the Financial Agents of China for a period of five years, it being the duty of the Financial Agents to advise the Chinese Government, which should agree to consult with them, as to its general financial policy and the machinery to be established for the reorganization and collection of its revenues, and to furnish the Financial Agents with all necessary information at the disposal of the Government.

In this connection it should be stated that while in certain respects the Six Group Agreement as it was finally signed may not be entirely satisfactory owing to the mutual right of withdrawal, it would have been impossible in any case to bind any of the Groups to an Association conducting business along lines disapproved by any of the Six Governments. It was felt, therefore, that despite its perhaps unsatisfactory features, the Agreement would be mutually beneficial to the parties thereto, and would, under the conditions laid down in the telegram of instructions to Peking, afford a sound basis for the co-operation of the Six Groups in the Reorganization Loan, it being recognised that this co-operation, no matter what the terms of the Six Group Agreement might be, would only be possible so long as the Six Governments concerned were in accord.

SUMMARY.

From the foregoing it will be seen:—

1. That the Chinese Government itself requested the Four Groups to finance its monthly requirements and promised to redeem the Treasury Bills, against which these temporary advances were to be made, from the proceeds of the Reorganization Loan, the amount of which the Chinese themselves suggested should be £60,000,000.

2. That Russian and Japanese participation "on a basis of equality" was invited by the Four Governments, approved by the Chinese Government, and accepted by the Four Groups.

3. That the Four Groups have throughout been willing to proceed with the advances subject to the guarantees which they deemed essential for the protection of the Bondholders, and in the best interests of Chinese credit.

4. That, first, owing to a violation of their contract by the Chinese Government, and later because of the Chinese Government's unwillingness to furnish the guarantees which the Groups considered necessary, the Groups have been unable to reach a definite agreement as to the entire transaction as soon as they otherwise would have done, but,

5. That despite this fact they had by temporary advances made from time to time, financed the most urgent requirements of the Chinese Government.

6. That since the Conference of May 15th this delay has also been due to the inability of the Four Groups to come to an agreement with the Russian and Japanese Banks, primarily because of the political reservations which their Governments desired to make, and in which the Four Groups did not feel themselves able to concur without the express instructions of their own Governments, which were not given.

7. That the Four Groups would have been prepared notwithstanding their failure to reach an agreement with the Russian and Japanese Groups, themselves to proceed with advances to the Chinese Government, making provision for retrospective participation by the Russian and Japanese Groups, but

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8. That they were unable to do this,

(*a*) Because of the refusal of the French Government to permit the French Group to proceed until an arrangement had been reached with the Russian Group, and,

(*b*) Because, in view of the present disturbed conditions in China, of the consequent unwillingness of the other Groups to undertake, and the unwillingness of their Governments to support them in undertaking, these heavy financial responsibilities unless assured of the co-operation of the French Government and Group, and of the Russian and Japanese Governments and Groups if it were possible to obtain the same.

It has been stated in the less well informed sections of the Press that the Groups were forcing an enormous loan on China, and that the financiers are lending themselves as willing instruments to political schemes which menace the integrity of that country.

These allegations are answered above.

It has been stated by more responsible organs that the Groups should not discuss a loan of the magnitude of that contemplated at a time when the situation in China renders extremely doubtful the ability of the Chinese Government to offer satisfactory security for a large loan. It was suggested, therefore, that the Groups should now advance China only the funds sufficient to enable her to disband a part of the enormous force now under arms, and to re-establish normal trade conditions.

Lest there should be any misunderstanding on this subject it is necessary to point out:—

1. That it would be impossible to issue a Chinese Loan at the present time at anything but a low figure. Were this done—not only would the credit of China suffer, but the present holders of Chinese Bonds would find the value of their securities greatly diminished. There has been little depreciation up to the present time, owing solely to the willingness of the issuing Groups to meet interest coupons on behalf of the Chinese Government, which was itself unable to pay the instalments when due, and the popular belief that the Groups with Governmental support would be able to rehabilitate the Chinese Administration and conserve Chinese credit.

2. That since a public issue is impracticable the only way at present to finance the Chinese Government is for the Groups themselves to discount the Treasury Bills, which the Chinese Government proposed to issue to an aggregate amount of about £10,000,000.

3. That the Groups could not in justice to themselves or to the holders of existing Chinese securities afford to advance this sum unless assured that it would be properly expended in accordance with a comprehensive plan for the rehabilitation of the Chinese Administration and the inauguration of a sound programme of commercial and industrial development.

4. That £10,000,000 would be insufficient for the execution of such a comprehensive programme, as this amount would not be sufficient even to defray the current administrative expenses of the Government, which is collecting practically no revenues, save those of the Maritime Customs, which are already hypothecated for the service of a portion of China's foreign debt, to finance the army and pay off troops to be disbanded, and to meet the arrears in the service of the "Boxer" indemnity and foreign loans, and to liquidate Provincial loans and other outstanding obligations.

5. That in addition to making provision for the redemption of the Treasury Bills and the liquidation of the other outstanding obligations mentioned above from the first proceeds of a loan to be issued as soon as market conditions were favorable, the Groups, to protect themselves and the prospective Bondholders, were entitled to the option on the subsequent series of the loan to carry out the reorganization programme, of which the first series could only finance the initial steps, and were justified in demanding guarantees regarding the proper expenditure of, and security for, the subsequent series before making extensive advances or undertaking to issue the first series of the loan.

6. That the Groups have at no time insisted on the figure £60,000,000 which was suggested by the Chinese themselves, and

7. That the Groups would under no circumstances be willing to loan any portion of this amount to China until such time as they were convinced that the security offered for each of the projected series of this loan was ample, and that the proceeds would be properly expended in such manner as to protect the Bondholders in Europe and America and to further the proper re-organization of the Chinese Administration and the legitimate development of China.

June 23rd, 1912.

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26th June 1912

My dear Frank:

I have just received your letter of 11th June and am glad that it came in before this epistle, which I had intended to write before, left London.

Everything you say about the impossible position in which you have been placed we all understand and appreciate. We have all understood, further, that while we were cursing and swearing and gnashing our teeth here in London because of our troubles, you in Peking have been much more on the firing line, and have been really between the devil and the deep sea. Had I been in your place I am sure that I would have kicked over the traces in some way or other. As a matter of fact, it has been hard enough not to do that even here in London, and we have not had the Chinese to contend with.

As the agreement stands, each Group has the right of withdrawal. This clause, of course, is open to objection, in that it gives Russia a practical veto. If they were to withdraw, the French and Japanese would follow suit, creating again the situation which for the present we have avoided. Despite the unsatisfactory wording of the agreement, however, in practice the result would have been the same. No matter how binding their promises, we could not have held the Russian Group nor prevented them from creating a compeing Group which would have had access to the French market, in case the Russian government felt that other Groups in the combination were endeavoring to direct its activities along lines which the Russian government considered inimical to its special rights and interests. Furthermore, we know from our experience in the Chinchou-Aigun Railway that not one of the governments of the Four Powers is going to support any scheme opposed by Russia and Japan, though it is conceivable that in case they consider Russian and Japanese objections to some particular project unreasonable, they may endeavor to persuade these two Powers to change their views.

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The suggestion which you wired from Peking that we should take advantage of the situation and break with the Chinese, seems to everyone here to have been based on false premises. As a matter of fact, the regulations which the Groups would have been willing to accept for the control of the expenditure of the advances were really not at all different from those embodied in the seven Articles, except that the Auditor employed by the Groups is replaced as a representative of the Financial Agency.

I can quite understand, however, that this was not clear to you from the text of the draft telegram of May 15th, which at the time you sent your telegram of June 6th, you had in your possession. I presume, moreover, that the telegram which Addis sent on June 10th had not reached you in order to clear this point before you wrote your letter now under acknowledgement.

The main difference perhaps is that the Groups insist that the security pledged for the advances should be under foreign administration, and this may have been the point which loomed most largely in your mind. It was not thought necessary, however, to embody that in Addis' telegram of June 10th, inasmuch as the question of foreign administration of hypothecated revenues had been dealt with as early as April 18th. The Groups, moreover, while appreciating the danger of being placed in the position of increasing their demands for control, felt that this could be justified by the magnitude of the advances which, with proper control,, they were prepared to make, and also in view of the fact that it was naturally to be expected that the control provisions governing the expenditure of a loan of £60,000,000 would be more stringent than those considered necessary for small temporary advances.

The point you make regarding the probable unwillingness of the Chinese at once to accept the comprehensive programme laid down in the telegram of May 15th, is a good one, and the question as to who should finance the Government during the period in which the comprehensive Loan Agreement

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was being negotiated, has also been fully considered here. It has been felt, however, that the Groups after advancing the further 3,000,000 taels authorised on June 20th, could not continue to make advances unless the Chinese accepted the programme laid down. As Davy said, this programme was submitted not for discussion but for acceptance. As a matter of fact, I think your messages to the Group and to Davy have to a great extent been responsible for this attitude, for your telegrams have convinced them that if the Groups were willing to go on advancing driblets, the Chinese would be quite content to follow a policy of hand to mouth borrowing, and avoid the discussion of any comprehensive programme just so long as the Groups were willing to dole out 3,000,000 or 4,000,000 taels at a time.

The proposition suggested by the Minister of Finance and telegraphed by you the day before yesterday, that we should abandon the comprehensive scheme and go on advancing 6,000,000 taels per month, is exactly the case in point, for from everything you have said from Peking, we can only believe that if this proposition were accepted, we should have advanced some 30,000,000 taels up to October, and find at that time that we were just so much the poorer and that China was very little better off than before and no better prepared than now to offer proper security for her borrowings.

As to a rupture of negotiations I think that we would be in the long run in a much better position in the eyes of the world, if after having come to an agreement amongst ourselves, we submit a reasonable proposition to the Chinese which they resufe, we having carried them by temporary advances until the Six-Groups did reach an agreement, than if while it was generally known we were bickering amongst ourselves, we had turned to the Chinese and tried to place all the onus on them. This at least is the view which everyone here took regarding your suggestion.

Fortunately, the break with the French has been avoided. If we had

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failed to meet the Russian view and the French had withdrawn, I doubt very much if the British Government would have supported the Hong Kong Bank in proceeding, even though the Germans would have been willing to go along, which I doubt. The Japanese would certainly have followed the Russians, and while it is probable from what I gather, that the American Group would in any case have been unwilling to proceed without the French, still, I doubt if this point would ever have been raised, for as stated above I do not think that either the British or the German Groups would, with China in its present chaotic state, have been willing to proceed without the French Market, even though the Americans would have stood by them.

"There is, it seems to me, little question but that the agreement represents the actual state of affairs, and is very satisfactory in that we have avoided recognizing in so many words the special position of Russia and Japan. It therefore does not alter the actual situation in any way except for the better, in that we are now joined with the two Powers who really at present are in control in the Far East. It is true that neither Russia nor Japan may really wish China to develop even within the boundaries of the eighteen Provinces, and that to this end they may endeavor to block every scheme for development which the Chinese may put forth and which the Groups under ordinary circumstances would have been prepared to finance. I doubt, however, if either of them will really attempt to follow this course. It may be difficult to handle the Six Power comvination, but the fact that we are all together at last places us in a very powerful position, and the only one at all tenable in view of the present state of affairs in China.

. . . The whole matter moved in a vicious circle. Our governments insisted that we take in the Russians and Japanese, yet they consistently dodged the Manchurian issue which was really the fly in the amber. When the Russians and Japanese insisted that we should recognize their special rights and in-

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terests, which we, the Groups, quite rightly held to involve political questions with which we were not competent to deal, our governments, like the African ostrich, stuck their heads in the sand, oblivious of the situation which they were creating in Peking, and told us on the one hand that they would not frankly recognize the Russian and Japanese claims nor would they allow us to proceed in doing business in China until the Russians and Japanese were satisfied. The agreement consequently, while in many respects it may be unsatisfactory, seems to me a most remarkable document, in that the Groups have managed to 'pass the buck' back to the governments, who will continue to hold the seat on the fence which they have managed to keep during all these troublesome negotiations.

Davy wishes me to write to you with regard to the telegram which he [Page 5] sent you and also the one despatched by the Groups in answer to your joint [6-26-12] telegram received on June 18th, stating that you had promised to advance a further 3,000,000 taels. He wanted me to tell you that in all probability had he been in your place he would have done the same thing, and that he quite understands the difficult situation in which you found yourselves. At the same time, he wanted you to appreciate his position, which I am sure you do, that is, that the Groups also have their difficulties here in Europe, and that it was possible that it was part of their game to withhold these very 3,000,000 taels, and that they were playing their game and relying upon this particular card. Your action in Peking deprived them thereof, and while you may have been right and the Groups in Europe wrong, if this were the case, the responsibility would have rested not upon you but upon the Groups themselves

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even if China had gone to pieces as you thought she might do because you failed to advance the money in question. It was felt of course that Addis' personal telegram to Hillier regarding the 4 lacs for Shantung may have influenced you in taking the step which you did. At the same time, Davy held that it was not up to you to make this move. I think too that his attitude in the matter and his telegram to you were prompted somewhat by his feelings as to the attitude of the American Group on the whole situation, and his unwillingness to place you in the position of being shielded by him from criticism which the Group would make on the ground that the representatives in Peking had departed from their instructions, no matter whether those instructions were good or bad.

The whole situation in China at the present time is most baffling, and personally I do not really see how any order can ever be brought out of chaos unless the Governments actively intervene, a step which they will avoid as long as possible. I feel sure, however, that if the Chinese continue to refuse the conditions which we now demand, the Governments will ask us to go on advancing driblets in order to avoid the issue which they are all afraid to face. I am sure you will agree that the Groups will be very foolish to do this, unless the Governments, whose wishes we are following, themselves guarantee our Loans quite irrespective of any security or guarantees offered by the Chinese themselves.

I would be very much obliged if you would show this letter to Casenave, for though the spirit is willing, the stenographers are over-worked, and I am afraid that it would be impossible to go over this ground a second time, even for the benefit of George. ~~Addis~~

Addis will doubtless be writing to Hillier with regard to the Staff to be engaged by the Six-Groups in Peking. Gattrell of course has been doing all the Chinese work I presume, and is far and away the best man that the Six-Group Organization could secure. At the same time, in view of the fact that you yourself will be anxious to leave Peking as soon as you

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can , and that your successor will undoubtedly be new to the job, it would seem a great shame to have Gattrell sever his connections with the American Group, for he would be an invaluable man to have bound to us so long as there is any prospect of our continuing to do business in China. On the other hand, I see no reason why the American Group should pay the salary of a man who is working for all six, and I therefore suggest when the matter comes up for discussion you should, providing Gatrell is willing, suggest that his salary of $4,500 per annum be paid by the Six Groups, not necessarily in Peking, but included by the American Group as one of their expenses on the Joint Account. If this were agreeable I should, if I were you, suggest to New York that the American Group itself should pay Gattrell a sum in addition which would give him, say $5,500 or $6,000 per annum, $4,500 of which would be borne jointly by the six Groups.

You are quite right, it is very pleasant to be living here in the country at this time, and while at first we both regretted our inability to go home, I am sure that it is much better in the long run, for Westbury would have been much too hot during June and July. I motor down to the office every day and shall probably continue to do so until the beginning of August, when we hope to go home. As to that, however, from past experience it seems unwise to make any plans. I am sorry to hear that you find it so hot, and hope that you will not be obliged to remain in Peking working hard during the entire summer, for I fear that as you are not any too strong anyway, it may do you up. I hope not.

I will give your message to Dorothy and I am sure that she would join with her love did she know I was writing. Say 'Hullo' to everybody for me.

Yours very sincerely,

F. H. McKnight,
Perking.

CLONMEL KENNELS,

BURNHAM, BUCKS.

STATION:
TAPLOW STATION, G.W.R.
(HALF-AN-HOUR FROM PADDINGTON.)

CABLES:
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29/6/12/.

Dear Sir, Thanks for yours with cheque for £65-0-0. for the West Highland Terriers.

I sent you the pedigree of "WHITEBAIT" ~~last~~ last night,

Yours Truly,
Holland Buckley

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20, St. James' Street, S.W.
London.

Telegrams, "INTIMIDAD, LONDON."
Code in use "A.B.C. 5TH"
Telephone No. 3787, GERRARD.

ROBERT LEWIS

Has the pleasure of handing
W. D. Straight Esq
39 Berkeley Square

The following statement of A/c.

1912

Date			£	s	d
May	3	50 Corona Corona Cabt 13/.	3	5	.
		50 Boch Placidos 8/.	2	.	.
	17	100 . Rinaldos 8/.	4	.	.
	21	100 Corona Corona Cabt 13/.	6	10	.
June	6	200 Special Small Ballian Cigarettes 10/6	1	1	.
		100 Joed Alexandra . 8/6 pack		9	.
	11	100 Corona Corona Cabt 13/.	6	10	.
		50 Boch Imperators 8/.	2	.	.
		100 Large Cigar Tubes 3/.		3	.
July	2	100 Corona Corona Cabt 13/.	6	10	.
		100 Boch Imperators 8/.	4	.	.
			36	8	.

No. 22823 9 - JUL 1912 19
Received by Cheque
Thirty ~~eight~~ six pounds 8/-
Rob. Lewis
per F. F.
£36-8-0
2.0

ONE PENNY

22, Old Broad Street,
London E.C. July 17th. 1912.

Dear Professor;-

You'll doubtless be surprised to hear from me again after so long a silence. As a matter of fact, however, I have been trying to work out in my own mind, before submitting it to you, a scheme of scholarships and things connected with training men for foreign service, or for service at home where a knowledge, or rather an appreciation, of foreign politics is rare, and would be useful. I have not written however, as we hope to sail for home on August 10th. and once in America I hope to see you and go over the whole ground.

The purpose of this letter however is to ask you whether you would not care to arrange with a great friend of mine, J.O.P. Bland, co-author of " China under the Empress Dowager" to give a lecture or two at Cornell during late November or early Deecember. He is to give the Lowell Lectures first, and will then lecture at the "Colony Club" in New York, later going on to China for the London "Times".

Doubtless your programme of University Lecturers is made up already, but perhaps you would care to make some arrangement with him. If you wish to communicate with him through me, my address is as above. Bland you can reach c/o the Thatched House Club, London.

We hope to come home to settle down, and I am looking forward with great pleasure and interest to getting in touch with you again in the hope that I can be of some assistance to you in working out some of the projects which I know you entertain. I am also anxious that you should meet my wife, and she you, for she is tremendously keen on helping wherever she can. With warmest wishes always,

Yours sincerely,

Willard Straight

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W D Straight Esqr

July 1912

Telegrams: HILLSIDE, LONDON.
Telephone: No 1248 MAYFAIR.

HILL BROTHERS,

COURT, NAVAL & MILITARY TAILORS.

3, OLD BOND STREET, LONDON.

252, RUE DE RIVOLI,
PARIS.
French Bankers, Messrs Hottinguer.

LEDG. FO. 70 615

5 PER CENT. INTEREST CHARGED AFTER 12 MONTHS ON THE CREDIT COLUMN.

CHEQUES TO BE CROSSED BANK OF ENGLAND.

		CASH			CREDIT.		
	To amount of a/c rendered (Balance	45	1	.	45	1	
1912 April 11th	A Striped Saxony Angola Oac Coat	3	18		4	10	
	A do Waistcoat	1	8		1	12	
	A pair do Trousers	1	18		2	4	
	A Blue Cashmere Oac Coat	4	4		4	16	
	A do Waistcoat	1	8		1	12	
	A pair do Trousers	2	4		2	10	
	A Striped Cheviot Oac Coat	4	.		4	12	
	A do Waistcoat	1	8		1	12	
	A pair do Trousers	2	.		2	6	
	A Striped Saxony Angola Oac Coat	3	18		4	10	
	A do Waistcoat	1	8		1	12	
	A pair do Trousers	1	18		2	4	
	A Spot Irish Tweed Oac Coat	4			4	12	
	A do Waistcoat	1	8		1	12	
	A pair do Knicker Breeches Bands & Same	2	8		2	15	
28	4 White Drill Dress Waistcoats.	6	.		6	18	
May 2	A Grey Treble Lambswool OB Overcoat Velvet collar Lined Satin	8	10		9	15	6
	A Black Barathea Dress Coat Silk facings. Lined Silk	6	6		7	5	
	A pair do Dress Trousers Braid at sides	2	15		3	3	
June 13	Pressing a pair Dress Trousers.		2	6		2	6
14	do & altering a pair Trousers		4			4	
July 13	A Grey Striped Foreical Angola Oac Coat	3	18		4	10	
	A do Waistcoat	1	8		1	12	
	2 pairs do Trousers	3	16		4	8	
April 11th	A pair Spot Irish Tweed Trousers	2			2	6	
	£	117	8	6	128	4	.

Rd £50.0.0 July 18 1912

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TELEPHONE No. 8583 GERRARD
(SIX LINES.)

AND LATE **LEUCHARS** OF PICCADILLY.

Willard D Straight Esq
39 Berkeley Sq.

June 19

19 12

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Rec'd

July 16th, 1912.

Dear Blando:

The underneath facts are I think correct, and as I have great faith in your discretion and your deftness with the English tongue, the statement is unvarnished.

The first of what ultimately proved to be a number of steps leading to the formation of the American Group and its entry under the aegis of the State Department into Far Eastern France, was taken in September 1905, when Mr. E. H. Harriman, who had conceived the idea of a round-the-world transportation system, signed with Marquis-now Prince Katsura, and Marquis Ito a Memorandum of agreement for the joint American-Japanese ownership and operation of the South Manchurian Railway, and the various timber and coal mining concessions in connection therewith which the Russians had extracted from the Chinese and which the Japanese had in turn taken from the Russians.

This contract was abortive, though it was never cancelled, because Count Komura, who was in Peking at the time of its signature negotiating the treaty which was signed on December 22nd of that year, telegraphed that the Chinese would not agree to the entry of American capital.

Tang Shao Yi two years afterward told me that Komura had referred vaguely to Mr. Harriman's scheme, but that he had never understood, and never disapproved it. Tang may have lied. He has done so many times since. My own opinion has always been that Komura thought that Japan could reserve Manchuria for her own exploitation, and later secure capital, which she needed, from abroad, without admitting the principal of joint foreign administration. At any rate the matter was virtually dropped although Japanese visiting New York, used from time to time call upon Mr. Harriman and discuss the project with him.

It has occurred to me, though I have no evidence to support the theory that one of the reasons why Japan bought, with funds borrowed in

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England, the greater part of her railway equipment for this road from the United States, was that she wished in a measure to make up for her evasion of this obligation to Mr. Harriman. She did much the same thing in connection with the armour plate works put up by Armstrongs (Vickers-Maxim?) in Japan when to remedy malpractice she ordered a battle-cruiser in England. This is only treaty-port dope though the authority was good.

The next step was taken when in the summer of 1906 the Russians first approached American capitalists with a view to selling the Chinese Eastern Railway, pourparlers for which sale were kept up spasmodically until the autumn of 1909 when the launching of the "Neutralization Scheme" upset the apple-cart.

In the summer of 1907 I discussed with Tan Shao Yi and Hsu Shih Chang, the construction of the line from Hsinmintun to Aigun. By the middle of August this project had developped into a scheme for a Manchurian Bank, which was to be the Financial Agent of the Manchurian Administration and undertake the financing of this railway as well as other developement enterprises. Parenthetically I might remark that we had always taken into consideration the rights of the British and Chinese Corporation for the extensions of the I. R. N. C. and had contemplated at the proper time endeavouring to come to an arrangement with the people you then represented.

The Bank scheme was referred to Mr. Harriman with whom I had been in constant touch from the time of my arrival at Mukden in the autumn of 1906. Early in October we learned that because of the 1907 panic, nothing could be done with the scheme in America at that time.

In the summer of 1908 at Mr. Harriman's suggestion I was ordered home by the State Department, as I discovered on my arrival, to discuss matters with him. Before leaving Mukden I had obtained from Tang a Memorandum to be made the basis of negotiations with American Bankers for a loan of $20,000,000 to organize a Manchurian Bank. Among the projects which the

Bank was to undertake was specified the railway from Tsitsihar to Aigun. The line from Tsitsihar south was not included in view of ffrench's contract but it was our purpose to come to an arrangement with him for the joint construction of the entire line.

Early in November 1908 Mr. Harriman's bankers, Kuhn, Loeb & Co., had agreed to undertake the loan which Tang desired if proper terms could be made. Tang reached Washington on November 30th. On this date the American Government exchanged with Japan its notes regarding "mutual interests in the Pacific". The Japanese Ambassador had done his best to have this transaction completed before Tang's arrival. Signature, however, was deferred until after he had been shown the documents.

In the meantime the Emperor and old Dowager had died. Against Yuan was pitted Tieh Liang, whose pro-Japanese tendencies and anti-Yuan feud you know well, and it is my firm conviction that in pressing for the signature of these notes Japan wished to prove to the Regent that Yuan, who was playing Tang's mission to America and probable American support in Manchuria as a trump card, was bluffing, and that the United States instead of helping China against Japan, was in reality allied to that power. Personally I have always believed that Yuan's downfall was in a measure attributable to the signature of the Japanese notes. In any case Tang felt his position after the death of the Dowager and Emperor so precarious that he did not wish to press the negotation for the Manhhurian loan.

He did however open pourparlers for a loan of $300,000.00 to be undertaken by an international syndicate, organized by American bankers, and to be devoted to currency reform, and to financing the Government during the period between the abolition of likin and the consent of the powers to the provisions of the MacKay treaty. The same purposes were in Tang's mind when he this winter proposed to us the £ 60,000,000 loan.

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[7-16-12]

In early December the Russian Financial Agent in Japan, later transferred to America, Mr. Gregory Wilenkin, again took up the question of the sale of the Chinese Eastern Railroad, which he said could be arranged if Japan would agree to sell her Manchurian line. This proposition was referred to Baron Takahashi and turned down. In the meantime we had also taken up the question with Tang who had said that China would be glad, and would cooperate if we could organize an international syndicate to purchase both lines on behalf of China, thus anticipating the provision for re-purchase containedin the Agreement of 1896.

This was the origin of the "Neutralization Scheme".

In May 1909 the question of the Hukuang Loan came up. This loan was really incidental to the general plan which in a more or less indefinite way had been formulated to organize an American Financial Group which should send a representative to Peking to work on the larger plans which had been under consideration since the previous autumn. The Hukuang Loan however required immediate action and thus served as the peg on which the American Group was hung.

You are familiar with our negotiations for participation in this transaction, and I will not therefore repeat them here.

In June 1909 Mr. Harriman met M. Noetzlin in Paris and told him of the scheme to build a north and south line, i. e. (the Chinchou-Aigun Railway) in Manchuria, and again discussed the purchase by an international syndicate, in which Russia of course was to be represented, of the Chinese Eastern Railway. In August Mr. Harriman again met M. Noetzlin in Paris. The latter had in the meantime been to St. Petersburg to see the Minister of Finance. He reported that M. Kokotseff was that autumn to make a trip to the Far East and would on his return recommend the sale of the trans-Manchurian line. Mr. Kokotseff in accordance with his promise did on his return make this recommendation.

[7-16-12]

Mr.. Harriman, however, was no longer alive to direct his operations, and in his last days in America he had been unable to acquaint his colleagues with his plans.

Mr. Harriman did not so far as I know tell his colleagues in America of his negotiations with M. Noetzlin.

The Chinchou-Aigun Preliminary Agreement, however, was as you know signed on October 2nd, 1909, making the first step in Mr. Harriman's scheme.

Our negotiations for participation in the Hukuang had been going on concurrently, and were delayed because our British and German friends, having been forced to agree to our entry on a basis of financial equality tried to prevent our protecting ourselves against discrimination by them against our railway materials. These negotiations however are really a side issue to the main story.

About the middle of November 1909 Mr. Knox broached to the British Government his "Neutralization Scheme". Why he should have chosen this particular moment I do not to this day know. His action was very badly conceived, both as to time and as to manner of presentation. A secret edict had been issued approving the preliminary contract for the Chin-Ai, at least the weight of evidence would go to prove this, but making it part of a general plan for Manchurian development much on the lines of the previous Manchurian Bank scheme. Old Hsi Liang the Viceroy, however, refused to take this somewhat vague approval, and memoralized Peking that he wanted ratification of the specific contract and would take care of the other projects later when the time was ripe.

Along in December sometime the British Government gave a very vague, so it seemed to me, and guarded acquiescence in principle "provided the interested powers agreed etc." which really in my opinion at least was more or less of a polite turndown. Mr. Knox however did not so regard it, and

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as I have not the documents, it is quite likely that my impression is not correct and that Mr. Knox knew what he was doing better than I have thought he did.

At any rate he submitted his proposition to the British, French German, Russian, Japanese and Chinese Governments simultaneously. As far as I know he took no pains in presenting his plan to take into consideration the susceptibilities of the various nations with whom he was attempting to deal, but merely laid before them copies of the note that had been sent the British Government in November. This in itself was calculated to put up thebacks of Russia and Japan.

His proposition was roughly as follows:-

Will everybody come in with us and organize an International Syndicate to buy out the Russian and Japanese railway holdings in Manchuria? Russian and Japanese consent to this proposal had not even been asked. Mr. Knox apparently assumed that the negotiations with Mr. Harriman, which were indeed most promising, warranted him in boldly advancing his proposal, which involved questions so delicate that he should neve have taken the matter up with other powers until by carefully feeling his way he had ascertained that Russia at least was willing to make effective the pour parlers in which she had been engaged. Russian consent assured it would have been difficult for the Japanese to stand out.

Worse than all however he went on to say that if everybody didnt want to join in his first proposition, he would be very glad if they would all come in on the Chinchou-Aigun Railway, the contract for which had not even been formally ratified by the Chinese Government.

In other words his proposition meant that if the Russians and Japanese didnt feel inclined to share their loaf, as they were calmly invited to do, with guests whom Mr. Knox had requested to have a square meal at same one else's expense, he would be very glad to have them assist him

in baking another which when nicely browned would make their brand look rather unhealthy.

The second proposition might have followed the first but they should never have been presented at the same time. This Rockhill who was in St. Petersburg quite rightly felt, and as his instructions were vague he presented one, and held the other up his sleeve. In Paris, Berlin and Tokyo however, both proposals went in together as per orders from Washington. This the Russians learned through their Ambassadors, and as I presume it is difficult for them to realize quite how amateurish we are, they to this day, believe, or for their own purposes claim to believe that we were (and are) knaves.

The result was that Russia and Japan turned down the scheme. Luckily for Mr. Knox however Fletcher managed to extract the Chin-Ai edict from the Chinese on practically the very same day, and Washington's face for the moment was saved, - a little bit.

The scheme was all right but it required delicate handling instead of blacksmith methods. Furthermore while Kokotseff in the Ministry of Finance was favorable, and was working along our lines, Izwolsky, in the Foreign Office, was anti-American and was doing his best to bring about an understanding with Japan. Knox took the matter out of Kokotseff's hands and put it into Izwolsky's and the latter used the whole scheme and the bogey of an American-incited anti-Russian China which he built upon it, and the manner in which it had been presented, to convince his colleagues in the Government that the only protection against American intrigue was a rapprochement with Japan. He was successful, vide the Agreement of July 4th, 1910.

Before I left China in April 1910 we had completed our negotiation of the final agreement for the Chin-Ai Line. In view of the Russian and Japanese protests entered at Peking however we did not request the Viceroy

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to sign the Agreement and its accompanying letters, but secured his formal approval thereof, and his promise to sign and memorialize the Throne. We then hoped to be able to reach some understanding with the Russians. To this end I went to Petersburg in June 1910, and met the Ministers interested. I came away convinced that if we started to build our line and told the Russians we would only go as far as Taamanfu for the time being we would eventually be able to complete the work. This proposition however was turned down.

The Chinese wished to know what the American Government was going to do about it all. The Russians however had clearly stated that though they couldnt stop our building the line and had no treaty rights on which to base their protest, they would jolly well take it out of China if she tried to cross their road at Tsitsihar, and approach the Siberian frontier. We ourselves couldnt fight. The Chinese would have gone ahead if we had promised to back them up, but this we could not do, and had we pushed the matter we should probably have gone off scot-free and seen China lose a slice of territory or two. Mr. Knox therefore sat down in front of the stone wall to the construction of which he had so largely contributed, not from want of good intentions but from want of experience with the particular form of straw of which diplomatic bricks are made.

In May 1910 we had reached an agreement with the tri-partite Banks as to the Hukuang. They then invited us to join with them in a four-Group agreement. We refused. During the summer however they approached us again. In view of our difficulties in Manchuria we decided that it might be well to strengthen our hands, not only to limit future competition as far as possible but to see if we couldnt with this help find a way out of the Manchurian impasse. We thereupon entered into pourparlers with the other Groups.

In the meantime the Chinese had requested us to undertake the Currency Loan, stating that they would appoint an american financial adviser.

Part of the funds were also to be used for Manchurian development. We were then negotiating with our European friends, and therefore asked the Chinese if they would object to our letting the others into this currency loan. They replied that they would not object to their having a share in the flotation as long as we ourselves negotiated the Agreement. This proposition was quite in line with the terms of the original tripartite bank agreement into which we were assured we were to be admitted on the same terms as had applied to the others. We signed the Preliminary Agreement for the Currency Loan on October 27th and met the tripartite Banks on November 8th. They then informed us that they were going to change the terms of the inter-bank agreement and instead of making joint signature, make it obligatory. This they proposed because we had said that while we regarded the Currency Loan as business in hand and therefore not falling within the scope of the proposed inter bank agreement we would be glad to give them a share in the flotation. They said they would take no share unless they had signature. We said we would not agree to signature unless the Chinese consented and there the matter stood. We did however sign the Agreement and said we would do what we could to persuade the Chinamen to let them put their names down. The crux of the matter was really the question of the adviser. After long bickerings we did persuade the Chinese to let the others sign, and agreed to the appointment of a neutral adviser. The loan agreement was signed on April 15th and the Hukuang on May 20th. Then occurred the deluge.

Russia and Japan both protested against Article XVI of the Currency Loan, which they claimed constituted a monopoly on all future business in Manchuria which it did not. At any rate though they were unwilling to prejudice their position in Peking by bringing pressure on this point, they quite gaily came to London and Paris, talked about their exclusion from the Four Power Group, and many other things, and so tied things up, that

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[7-16-12]

what with their kicks and the revolution in China, your Government and the French practically told their Groups that they would get no further diplomatic support unless they arranged to admit Russia and Japan to our combination. This has been done. All this story is quite recent and is covered by a separate memo, which I hope to be able to give you. The foregoing is of course

Incomplete
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July 20. 1912

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HENRY SCHOELLKOPF

MARKHAM & SCHOELLKOPF
ATTORNEYS & COUNSELORS AT LAW
601-602 COLBY-ABBOT BUILDING
MILWAUKEE

Dear Willard:—

Your good letter post-marked as of June 29. came to me a few days ago and produced in me mixt feelings of relief and grief.. Relief, to at last know your and your's whereabouts and grief, at the thought that you have had us under unjust suspicion for a considerable period of time..

We did receive your wife's gracefully affectionate note upon our return from our wedding tour in March and sent an answer forthwith.. addressed to the Legation in Peking..

Your note did not reach us and until your last letter came, I had only a very vague idea as to your whereabouts. Some friends from here returned from the Orient about a month ago and reported that they had met your successor, whereas you had left China for Europe.—

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Thus you see we were really not at fault and would have been somewhat justified in feeling that you had forgotten us in the turmoil of the far eastern upheaval.-

However, I don't believe in trying to "place the blame" and shall endeavor to place you "all courant" with such affairs as I feel may be of interest to you.-

As I said before we returned to this side about March 10th and ever since then I have been pretty busy with the accumulations of work. We lived in a stuffy apartment for a while but since a week have been in an extremely attractive house, where we have plenty of room for all our friends, and I do hope that you will take advantage of our "accomodations".-

On the very day that your letter arrived I got a characteristic note from old Moore written

[7-20-12] [2]

STUART H. MARKHAM
HENRY SCHOELLKOPF

MARKHAM & SCHOELLKOPF
ATTORNEYS & COUNSELORS AT LAW
601-602 COLBY-ABBOT BUILDING
MILWAUKEE

up in the Red Wood Camp.- He said that he had a hard year of teaching,- the hardest he has ever had, but was having a good rest and recuperating rapidly.- You may be sure that I'm keeping track of the old boy and that he'll not worry about sordid finance, if I can help it.- As a matter of fact I think that he is free from all that sort of worry, altho' at one time he was supporting three or four "promising" collegians, who looked to me of sufficient bodily vigor to earn their own livelihood. I suggested to some of his disciples in Berkeley that such impulses should be discouraged and I think they have succeeded in that. He said he was coming east around Christmas and would stop with us on his way.- We have also planned

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to spend the year 1915 in California and I am untangling myself by degrees so that I can have my sabbatical year of scholarly pursuits, - free from sordid commercial or professional interruptions. Bess is keen on that sort of thing.

I tried to follow the matters you were interested in but got only a fragmentary glimpse of the game. - I'm very anxious to talk things over with you. —

Politics are a horrible mess and yet there may be some good in all the disgusting display of selfishness and egotism. - Perhaps the people will learn to distinguish motives from issues after a while. - I think your friend Roosevelt, who I have always despised instinctively has run his race. - He is thoroughly discredited with the better class of the men who first backed him for the third term. - There is only one parallel in history and that is Napoleon III. These characters are

[7-20-12] [3]

STUART H. MARKHAM
HENRY SCHOELLKOPF

MARKHAM & SCHOELLKOPF
ATTORNEYS & COUNSELORS AT LAW
601-602 COLBY-ABBOT BUILDING
MILWAUKEE

very similar and of the two I think I prefer the Frenchman. — As to Wilson, I think he is a strong man, who may turn out to be a great one. - Some of the things that he has done would seem to indicate that he has a streak of "smallness". - He is a very attractive speaker and attractive personally, but he may not have the "heart" with it. - Our man Lafollette "petered out" early, owing to what he called the treason of his friends. - If it was "treason" it was natural, for "betrayal of friends" is Bob's stock-in-trade. Taft's inclination to do the "wrong thing" is pathetic, but he may pull through. - I think I'll vote for him. -

Platt Andrew, who was a sort of an undergraduate ~~pet~~ during my days at Cambridge

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got himself into a fine mess and "got the hook right."

To go back to some of our old friends:- I suppose you heard of Garrick Borden's death. — I think it was blood-poison & it was just after he had landed a good, safe job..

Mr & Mrs. R. H. Davis, that were, have parted & I have no difficulty in sympathizing with Mrs. tho' I don't know the facts.—

Now, let me know when you expect to reach N.Y. after your plans are definite. I may have to go East about them.. Bess can hardly contemplate such a trip as we expect "great joy" in November.—

In the meantime let this be a re-assurance of our affectionate interest in both of you..

Yours ever,

Henry

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W. D. Straight Esq.,
22, Old Broad Street,
E.C.

Sir,

We thank you for your favour of the 22nd inst. and herewith have the pleasure to enclose the two accounts, duly receipted for £4.10.0 and £64. 0. 0. respectively.

We note that we may place the £4 to the credit of your account.

Assuring you always of our best attention,
We have the honour to remain, Sir,
Your obedient servants,

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Jas. W. Chambers
Cashier.

Encs:

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MEMORANDUM

PARIS, le 10 Juillet 1912
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Copy for Dean Hull

July 26, 1912

Mr. Willard D. Straight
22 Old Broad St.
London, E.C., England

My dear Sir :

It was my good fortune during the temporary absence of Dean Hull, whose address is c/o Brown, Shipley & Co., 123 Pall Mall, London, to receive your letter of the 17th inst. concerning the possibility of arranging for a lecture at Cornell during late November or early December by Mr. J. O. P. Bland, co-author of "China under the Empress Dowager".

Your letter together with a copy of my acknowledgment goes to Dean Hull by this post, and he will doubtless be glad to hear from you further on the matter.

So far as I am personally aware, no appropriation has yet been made for lectures during the year 1912-13, and until a sum is appropriated for this purpose by the Trustees at their October or November meeting, no definite arrangements for lectures can well be made.

Trusting that we shall receive an appropriation sufficient to enable us to arrange for a lecture by Mr. Bland, and that circumstances will permit such an arrangement, I beg to remain

Yours very truly

Secretary

August 1st, 1912.

Dear Blando:

Yours of the 28th. I do not think it likely that the "dope" would get into the hands of your rival penman, as we have had this printed ourselves, and have given copies only to our New York Office, the State Department, McKnight and the Legation at Peking, the Embassies in London, Paris and Berlin, and our own connections Morgan, Harjes, in Paris and M. W. Warburg in Paris. We have not furnished copies to the other Groups either here or in Peking, nor would it get into the Legations or Foreign Offices. Of course New York or Washington might give it out but I believe it unlikely.

The Rea stuff is of course quite different.

As to the course of events last autumn. Personally I always felt that Yuan should have been supported. At the same time while he might, with foreign money, have been able to put down the revolt and retained a reformed Manchu, I am by no means sure that this would have done much good in the long run, for I rather doubt if the people could have been kept quiet for long until the leaders were given a little run for their money and shown up as they have been in the past few months. Yuan having given the student calf sufficient rope may now be able to hang him, and find that a strong central authority will be welcomed by those who are tired of the effervescence and uncertainty of real republicanism.

These dates and facts may help.

Tang came to Peking on the 15th or 16th of November. Yuan opened negotiations with us direct on the latter date, or perhaps it may have been a day later. Tang told Yuan that we were follong him and that we would lend no money. He went to Prince Ching about the 20th and told him that the only way to stop further bloodshed was for the Court to agree to abide by the results of a plebiscite as to whether there should be a constitutional monarchy or a republic, and by Imperial decree to call that

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plebiscite forthwith. Ching refused and Tang went back to Tientsin.

We honest bankers were told that we dould make no loan.

The Japanese attempted to interfere on behalf of the Manchus and were held off by the British Government. This was toward the middle of December. [illegible]

After the capture of Hanyang by the Imperialist forces Goffe, your consul at Hankow, under instructions from Sir John, arranged for an armistice. It was then thought that the South might agree to the establishment of a constitutional monarchy if guaranteed that the Manchus would observe their pledges. It was decided to send Tang south to negotiate on behalf of the Imperialist interests.

Tang left Peking on the 30th Nov. (?) I saw him off and his last word was "Tell Mr. Calhoun that the only solution will be a republic." This from the delegate of the Imperial cause! He had told me the same thing when he had come to Peking in the middle of November.

As soon as it was known that negotiations with the south were to be seriously undertaken Sir John sent for Hillier and told him he would wire home recommending that the British Government support a loan to Yuan. This was on the 6th Decem. The Prince Regent had abdicated that day. We bankers met and telegraphed urging that something be done. I was very keen on this at the time but on looking back believe it would have been too late. We had missed our chance in November. Sir John then wobbled, largely I understand through Morrisons influence. Then the four Ministers got together. Sir John had to be forced to call a meeting with his three colleagues. They belly-ached a bit and finally brought the Russian and Japanese into the meeting. The question of an urgent loan was lost in diplomatic verbiage. It disappeared and all six Ministers after long consultations gave birth to a joint note to both sides who were to meet in

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Shanghai, to be delivered the evening before the conference, telling them to get together. They were tremendously pleased with this effort.

Millard assures me that he was with Wu Ting Tang the night before he met Tang, and that Wu then said that the South, if forced to do so, would agree to a constitutional monarchy. The next morning however, Tang stated that the north had no money, no loyal tropps no nothing and that the only thing to do was to have a republic. When this news was wired to Peking there was a howl that Tang had sold Yuan, Yuan kept him in his job however until an arrangement was virtually reached and then allowed him ostentatiously to resign. These are the facts. What the inside history is I do not know.

From Shanghai moreover just at the time Sir John was wabbling on the loan question Tang sent a telegram to Calhoun through the consulate in Shanghai, and to me, through one of the consular officials, advising us that the loan which Yuan's people were breaking their back to get, would, if made, be apt to cause an anti-foreign outbreak. He probably sent the same message to Sir John. The Shanghai Chamber of Commerce also got busy about this time, whether inspired by Morrison or not I do not know. The rest of the story you doubtless know. Rea tells it pretty well in his article in any case.

As regards the Knox propositionm both the neutralization scheme and the notes of February 8th. It may be true that these outbursts have immediately been followed by a Russo-Japanese clinch. At the same time, one must admit that Knox's methods have been crude. Nevertheless it is unfair to blame him, for his proposals were based on treaties and declarations and his faith in the efficacy of such documents if surprising is to his credit. He has been badly slanged particularly by the English press, and accused of bringing about the Russo-Japanese unholy alliance. As a matter of fact this has been consummated because Great Britain has deemed it necessary to give these pirates a free hand in the Far East in order that she may be

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the better fortified against Germany. I do not criticize Sir Edward Grey for choosing the lesser of two evils, nor do I deny that in certain respects Knox has been an ass, but of the two roles his is, it seems to me, more creditable even if less sophisticated.

However what does it matter, Morrison will save the country anyway.

Dorothy reciprocates your good wishes and we are both looking forward to having you when you come our side. I trust you dont object to being had. Id like to see the dope when its done if perchance you could let me. Please be careful about things and dish them nicely, for we tried to induce your fishy Scotch friends to put the whole thing in the press and he didnt dare, because he was moving heaven and earth to get the other Groups to join him as against us, in agreeing to depart from the terms agreed upon in Paris, in order to do a little business in China. We thanks to the Germans and Japanese won. The French as usual stank.

Yours,

London, August 1st, 1912.

Dear Frank:

Many thanks for your letter of July 9th, enclosing the insurance policies. From Fiedler I learn that our Mr. Chambers who apparently is an old pal of his, turned up in New York and asked for me, and stated that he had placed all our shipping documents etc. in the hands of one Thomas Regan who is general cook and bottle washer for the Whitney estate. This would indicate that things are probably in satisfactory shape. Chambers apparently thought he would wait in his accounting until we went back to American soil, which together with the fact that he has never written a word to let us know that everything was o. k. indicates what might be called a surprisingly casual disposition. I trust that he has not done anything which would make us feel that he had been anything else.

We start for home on August 10th and I am very glad especially for Dorothy's sake. It has been extremely pleasant here this summer, and though the long days when there was nothing at all to do, have irked me a good deal, I presume it's been a very excellent training, and a very lucky one at that, for having been broken in under these very considerate folk here I shall be better able to pocket my labour unrest when I reach home, where I doubt not there will be more or less the same situation as has existed here.

We have been sending you on all the voluminous correspondence which has passed between the Groups during the past weeks, and you will have doped out, doubtless, pretty well what the situation has been.

The American Group has come out with flying colours and I do not think that our friend Addis has added much to his reputation.

Perhaps I did not write you after Paris that there had been some friction there, with this gentleman, who showed himself to be what I have always contended, and Teddy and Charlie Whigham, denied, he was. He did some rather quick side-steps, and did not play exactly straight with Davey who took

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him one morning and told him pretty well what he thought of him. Davey said afterwards, (I was not present) that if anyone had talked to him as he did to Addis, he would either have thrown him out of the room, or apologized and become the best of friends for ever afterward. Addis it is hardly necessary to remark did neither. As soon as the joint telegram of June 28th came in from you he started to try to induce the other Groups to agree to a departure from the terms of the Paris conference, and although he still talked about adequate control and security it was easy to see that he wanted to do business at all costs and that he was ready to make great concessions to the Chinese all along the line. In justice to Addis one must say that he was probably quite as much influenced by his fear of a general row in China, and the consequent dislocation of trade and the business of his bank, as he was by his desire to secure the profits of handling Chinese loans. At the same time the ease with which he adapted what he had asserted were his hard and fast principles and convictions to each shifting phase of the Chinese muddle has been pretty convincing evidence that the man knows no law but expediency.

For the present there seems no likelihood that anything will be done at this end and that the Groups will stand pat on the Paris Programme because they cannot agree on departing therefrom. We are wondering whether the Chinese will eventually take water and come back for the dibs on our terms.

I wish you would let us have your ideas regarding the significance of Morrison's appointment, also what you know about the reported offer made to Jenks.

As regards the Currency Loan too we would like to know what you would propose to do. The Four Groups agreed to merge this Loan with the Reorganization and suggested this step in the Paris Conference but both the Japanese and Russians were non-commital, and we never decided on anything definite.

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Many thanks for your letter of July 20th enclosing the documents covering the shipment to Chicago. I note that you have charged this to my account. If you have not already done so I wish you would let me know whether this charge has been transferred to New York with the rest. If it has not been perhaps that would be the simplest course as I can then settle the whole thing there. Just now however I feel rather at sea as I have no idea where I am to square this snow-ball bill.

With regard to "Who's Who in America" you better keep it for the office in Peking and I'll get a new one.

I hope that you have been able to get away for a bit and that you have been standing the summer all right. It must have been terribly hot and trying.

With love from us both,

Yours,

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London, August 2nd, 1912.

My dear George:

Through inadvertence and laziness I fear that I have never answered your letter No. 6 which contained copies of your most interesting and instructive letters to your principals in Paris. How they, with such excellent advice, could ever go wrong is to me mysterious. With all due deference however, I must in honesty say that the attitude of your people has to me been inexplicable. I do not refer to the period when we were having our difficulties with the Russians and Japanese, for I quite understand the delicate diplomatic situation in which France was placed, though I cannot admire the manner in which your Foreign Office acting in collusion with Downing Street, chose to evade and quibble where it seemed to my humble intelligence that frankness and courage were required. However that is finished, and the gentlemen in the seats of the mighty have so much more information than we in the street, that we should not criticize though we may be permitted to wonder.

But in the past three weeks since the Paris conference, and since your action in Peking as reported in your telegram of July 9th, the facility with which M. Simon has conveyed one impression to Addis and another to us through Morgan Harjes, has been remarkable. The issue whether the Groups should adhere to the Paris programme, or go skating off at a tangent on a wild butterfly chase, has been pretty clear between Addis and ourselves. Your people have repeatedly said that they took our view and did not favor Addis's hand - to mouth policy and at the same time they have agreed with the telegrams to Peking, suggested by Addis, which meant nothing if they did not mean an abandonment of the main features of our original proposition to China. Addis has not covered himself with glory, and personally I believe him neither a big man nor a very honest and straightforward one. I do not mean to say that I think he would steal but I do believe that he would resort to all

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manner of petty tricks and subterfuges, and the most casuistical of arguments to gain his ends, while I doubt if he knows what loyalty means. I have been surprised therefore at Simon for I had thought that the French and American Groups were working in harmony together.

You doubtless could give us some sidelights on this situation and I wish you would.

You have doubtless had from your people copies of all the voluminous correspondence that has been carried on during these last days. There is little to add thereto, and I do not believe that the Groups here will do anything further until the Chinese come back to us and either accept our terms or make some reasonable proposition themselves.

This at any rate will continue to be the position of the American Group as far as I can make it out.

The news of Morrison's appointment did not come altogether as a surprise. Regarding Jr Kenksey we have no knowledge of what he has been doing or whether the appointment has been offered him or not. I trust it has for I believe he will be an excellent man, better than Vissering who may still I suppose go in as technical adviser to the Currency Bureau.

I wish you would sit down and let me have your ideas on all these moves, and the possible effects thereof, particularly on our position in China. I get very blue sometimes for the recent trend of events has been calculated to make me wonder whether I personally by acting differently and being a little more polite to our Japanese friends and a little less brusque with your Russian pals, could have helped to stave off the evil day. One always does wonder I suppose, but the course taken seemed the right one at the time, and I was living in a fool's paradise and believing that my own people would carry out their declarations better than the others observed their treaties, and I did not wish even to indicate that Washington would hesitate and fail. However it's all done now anyway, and though not much older I begin to realize that I was a great deal too young.

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We are starting for home in a week, and shall settle down I hope and remain there. What I shall do to keep busy I do not know for there will be little noise I imagine about China for a time at any rate. It will be nice to be there anyway. Dorothy is very well, and we all talk and think of you often. We have been very happy in the country and wish that you might have been with us, and not boiling and stewing and working your heart out with a lot of damned heathen Chinees.

Write to us George, and come back to see us soon. Take off your diplomatic muffler, and give us unvarnished facts, about everybody and everything. Our friend McKnight has writers cramp I fear, for his communications, though lately more descriptive have been too baldly businesslike as a general rule to give much atmosphere, and we, George, you and I, must breathe, not merely vizualize situations.

Be good,

Yours,

AMERICAN EMBASSY,

LONDON. August 7th, 1912.

Dear Willard,

In accordance with your request I return, with much regret, the political note, dated June 23rd, which you kindly sent us on July 20th. I have not even kept a copy of it, so you see how honest I am!

Yours ever,

WPhelps

Willard D. Straight, Esq.,
c/o Messrs. Morgan Grenfell & Co.,
22, Old Broad Street, E.C.

Enclosure:
Political note mentioned above.

[See June 23, 1912]

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TELEGRAPHIC ADDRESS: FRUITLAND, LONDON.
TELEPHONE Nº 5597 GERRARD.

S.B 9/314

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Grosvenor Square, W.
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ONE PENNY

8th August 1912

Dear Blando:

Many thanks for your lucubrations of the 5th and 6th of August respectively. Your expurgences on political financiers I assume to be correct, owing to your long experience in this particular business yourself. However, please do not be petulant with me or with anybody else, but merely laugh at jelly-fish diplomacy. You are not the only pebble on the beach although you may be the only Author in the Channel Islands. You are quite right - you could have written the stuff yourself, as could any other sensible man who had been following the situation. However, that cannot be helped - instructions are instructions - and we have had to request the Embassies in Paris, Berlin and London, as well as our own people in Paris and Hamburg, to return or destroy these documents, which to my mind is absolute rot.

At to your two enquiries

1st. On the 6th December Sir John sent for Hillier and informed him that he would support a loan to Yuan. Our only evidence that he was wobbling more than usual after this was that he began to quibble in talking to Hillier about the matter, saying that it was very dangerous and might provoke an early foreign outbreak, that the Shanghai merchants did not like it, and that protests were being made to the Foreign Office in London through the China Association. He also expressed himself very freely on these points to Mr. Calhoun. In the morning he would say that be believed that something should be done and that a loan was the only practical way to prevent anarchy, and in the afternoon he would make a complete change of face. More definite evidence than this I cannot give you.

You are quite right. Tang did leave Peking on the 8th of November. Morrison started, I think, a little later, at any rate, they did not leave Peking together. It is possible that Morrison went with Tang

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from Hankow to Shanghai, but I do not think so, in any case I cannot give you any definite information on this point.

I shall be delighted to see your first Chapter on the 'Making of the Republic" if you will send it to me at 23 Wall Street, New York. I will send it back to you at once with legible marginal notes.

As to the other offer, Grenfell will be away in September, so if you wish to let us see anything, as you very kindly said you would do, will you please send it to Carter (J. R.) at this address. I do not believe he will desire to cut out very much, but I know that he would like greatly to see what you have written, and will return them to you at once.

We sail the day after tomorrow.

With best wishes, and looking forward to seeing you in — America,

Yours,

J. O. P. Bland, Esq.,
Dixcart Hotel,
Sark,
Channel Islands.

BY APPOINTMENT
TO HIS MAJESTY THE KING.

ESTABLISHED 1830.

TELEGRAPHIC ADDRESS: "ROSSANO, LONDON."
TELEPHONE Nº GERRARD 3540.

111, NEW BOND STREET, W.

London 9 August 1912

W. Straight Esq

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9th August 1912.

Dear Frank:

Many thanks for your letter of the 25th July. I cannot understand why my long screed of the 26th June did not reach you before, unless perhaps it went via Suez instead of across Siberia. I have discovered an extra copy, however, which I transmit herewith.

We wired you today concerning the political note which accompanied the Resumé of the Reorganization Loan negotiations. The Diplomatic Department here, consisting of Messrs. Carter and Straight, are unable to understand Washington's attitude, but then, as you will learn by experience, the real essence of diplomacy does not mix with the waters of potomac.

I am very glad that you are so cheerful and optimistic. Your letter is the most hopeful sign that I have come across for a long time. For you, who are from Missouri and who are now living in the midst of Chinese smells, heat and Manadrins and other vermin, to see a ray of hope is the most auspicious event that has occured since Mr. Roosevelt organized his third party.

We are sailing to-morrow. I will tell the Statue of Liberty that I saw you, and that you are trying to lend money to build little red school-houses on the Cathayan Hills, and to regenerate an effete civilization with the most approved Third Reader principles.

Yours affectinately,

F. H. McKnight, Esq.,
Peking.

September 3rd, 1912.

Dear Frank:

Your letter of August 10th has just reached me, and although I shall not attempt to go very fully into the situation now, I will just send you this word of greeting from little Old New York.

I am very glad indeed to have your very full explanation as to your point of view at the time you recommended that we withdraw our offer and allow the Chinese to borrow elsewhere. As you say, it is now a matter of history and of no immediate importance. At the same time, while I quite see your point, and think that I did in the beginning, I do not think that I agree with you in your conclusions, as I believe that the position in which we are now placed is a much stronger one than that in which we would have found ourselves had your suggestion been carried out. This view I would qualify, however, by saying that your point that had we acted on your proposal we would have been later able to start negotiations on a new basis without having acquainted the Chinese with our terms, is a good one, but I do not think it weighs against all the other considerations, particularly in view of the fact that having reached an agreement as to our general lines of co-operation, it was absolutely essential for the sake of more closely binding the six groups, to gain at once their adherance to a very definite proposition to China.

As regards your part in the advance of June 16th. I think that Mr. Davison, as I endeavoured to express to you, felt that in your position he would have done the same thing. Personally I am quite sure that I would have, and I hppe that you have not in any way interpreted anything I may have said as indicating any other attitude on my part. I think you were absolutely right and have always thought so.

With regard to your reference as to my letters to Catrell, Calhoun, etc. I quite understand your position, and please do not think that I resent anything which you have said. I am sorry that you should feel as you do

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about the matter, but I think you will understand that my position is somewhat different from the hypothetical case which you cite, inasmuch as having been in Peking for a number of years and being most intimately acquainted with the people you mention, as friends, as well as being closely associated with them in business, it is quite impossible to separate the two things. As far as Gatrell* is concerned, I think that you will understand that I am naturally very personally interested in his welfare, and would wish to do what he desires, as long as it did not, in any way, conflict with the interests of the Group. With regard to Calhoun and Casenave, I have endeavoured to let you have copies of letters which I have written to them but, as you know, it is impossible to duplicate in a number of letters to individuals everything which flows from my facile typewriter. However, I quite see your point and appreciate the spirit in which you have written, although I am afraid that I cannot promise to confine my communications to my friends in China to purely personal and social matters, although I assure you that as far as business matters are concerned, I shall endeavor to address you. There is, I think you must admit, a distinction between communications with you which call for action on your part, or interpret some action on this end, which would of course go to you, and a general discussion of affairs, the exclusion of which from my letters to men like Casenave and Calhoun, in view of my relations with them would be entirely unnatural.

I am very glad that you have been able to go to Peitaiho, and I trust that the rest has done you good.

The office where you used to sit when I was in New York two years ago, has been repainted, and I have now the honor of holding down your chair in Mr. Stevens' room.

*It occurs to me that in any case the letter to Gatrell was written subsequent to the long one which unfortunately went the slow way. In this I may be wrong.

[7-3-12]

There is some talk about going to work on the organization of the Group, but nothing definite has developed as yet. Since my return only Davy and Jack Morgan have been here, but Mr. Porter has now returned. Everybody seems well and cheerful despite the complexities of the political situation. We will look forward to your letters regarding your interviews with our friend, Chen Chin Tao, and to further communications regarding the £ 20,000,000 loan, which by your letter received today, and by your telegram which has just come in, would seem to be a "not distant" possibility.

With best regards to you all, believe me,

Yours affectionately

P. S. In the copy of your letter to the Chinese Government April 12th regarding the Currency Loan, I note what may have been merely an error or arrangement in copying, that is, that you sign in the last place. Of course, as a matter of fact, this makes no difference but in dealing with people like Hillier and Cordes, it is just as well, as you know much better than I by this time, to stand on your dignity, and in this particular loan the American Group is in the lead and heretofore we have always signed first in letters written to the Chinese Government, and taken charge of discussions in these negotiations. As I say, this is a matter of no great importance but I was afraid, on seeing this, that they might have jockeyed you out of your position owing to the fact that you were the last arrival.

I note, too, that copy of this letter wasnot sent to Morgan, Grenfell & Co., and inasmuch as London has so much to do with this Chinese business, I hope that you will save us the trouble of sending copies of these letters over, by doing with the Currency Loan correspondence as you have done with the Reorganization Loan, i. e., send copies to M. G. & Co. direct and make a note to that effect on your letters to us.

W. D. S.

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[9-19-12]

Sept. 19, 1912.

F. H. McKnight, Esq.,
c/o American Group,
Peking, China.

Dear Frank:

Your letter of the 19th August reached me safely the other day and came at a most opportune moment as we were just in receipt of a telegram from Morgan, Grenfell & Company advising us of the message which Addis had sent to Hillier urging him to open negotiations for the Reorganization Loan. The members of the Group were not at all pleased that Addis should have taken upon himself to send a message of this character, without at least advising us before he forwarded it to Peking; and this opinion was expressed in the telegram which went to London the following day.

The particular portion of your letter relating to the British policy in the Far East and its financial exponents in London and Peking is received with much interest. There has been quite a flurry over Mr. Wendall Jackson and his negotiations in London. The latest "dope" printed in this morning's paper seems to indicate that some payment has been made; but whether this is true or not we do not know. Mr. Wendall Jackson is an old friend of mine. He would make the late lamented Uriah Heap look like thirty cents, and is as oily a back-stairs artist as I have ever seen. I had a certain amount of dealings with him when I was in Mukden, and I have rarely, if ever, met a man whom I so instinctively disliked and distrusted. Since those days I have crossed his track but once on an occasion when he tried to do a little double-cross work to get a loan from Tonge-Sho-Yi.

Chen-Chin To turned up today, and he lunched with Davie, Mr. Hine, Norton and young Stillman at the Mid-day Club. He was very plausible but got a little tangled up in his arguments; and nothing he said weakened the conviction of the Group that the Paris programme represents pretty nearly the limit, so far as "control" conditions go.

We await, with much interest, developments from your end; but from

the way in which Chen spoke of "control" it would seem to me that it will be a long time yet before any money will change hands.

Everybody here is primarily interested in politics. Wilson seems to be the favorite, while although Taft apparently lost country he is apparently gaining a little at the present time. I doubt, however, if he will do more than come in a bad third. There is, unquestionably, a very general progressive sentiment pervading all parties, and, as far as I can make out, most people seem to feel that it is rather a choice of evils without any very great hope from any of the three leading candidates. The press is full of articles which to my perhaps over-sensitive mind seem merely to confuse the issues, for there is really very little argument as to principles, very little clear thinking and a great deal of jealous pettiness and recrimination, however, I presume that this Presidential campaign is much the same as its predecessors, and that we may not expect any very great improvement in American political conditions for some time to come.

I am very glad indeed that you have been able to pay Pieteiho, and get a little rest, which I am sure you will need after the hot weather and smelly court-yards.

With love from us both,

Yours,

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October 3rd, 1912.

His Excellency,
Henry Prather Fletcher,
The American Minister,
Santiago, Chile.

Dear old Prather:

You will doubtless think us all in the lobster class, but perhaps Beatrice and George have done better by you than we have. As a matter of fact I have been intending to write you with my own fair typewriter and have therefore day after day while in the office put off doing anything about it, with the result that we have now been home for nearly six weeks and you have never had a word. You have, however, been very much in our thoughts and we never get together without having you present in spirit, which we wish might be transformed into something more tangible although none the less distilled. We have been down in the country practically since we reached home, although Dorothy spent ten days up in the Catskills.

Our old friend Mr. A. Wendell Jackson has put over a loan. His financial backers nominally at least being the firm of Charles Birch Crisp, of whom Almeric Paget is a partner. I can now understand Almeric's interest in the Chinese loan negotiations this summer, but I doubt very much if the firm has sufficient oof to carry this thing along unless certain powerful people in London were behind it.

The British Government and the State Department played up nobly and the former came out with a statement disapproving the transaction and said that the leaders would not receive any support whatsoever from His Majesty's Government. Crisp, however, persisted in going ahead with the result that having underwritten his loan apparently pretty successfully, the public took up only about 40%, leaving the balance on the hands of the underwriters, who, if they be like most underwriters, will be none too pleased with being saddled with about $15,000,000.

The Chinese in undertaking this loan were undoubtedly trying to play

us for suckers and they very nearly succeeded for our friend Addis, whom age seems to render even more pusillanimous, was all for climbing down and giving up our control provisions. The other groups and ourselves, however, stood pat with the result that the Chinese took up the advances made by Crisp and later authorized the issue of the loan. While this transaction has resulted in the rupture of our negotiations for the time being, I am inclined to believe that its effect in the end will be highly salutary, and should prove conclusively to the Chinese that they will have to come back to the captain's counter.

We issued a pretty full statement of our position to the press here and the British Group in London did the same. Our statement, much to our surprise, was very well received and received the endorsement of the editorial writers on most of the New York papers. The State Department came nobly to the scratch and gave their reasons for supporting the Group and for discouraging, as far as they were able, loans upon terms which did not provide for adequate supervision and security.

I saw Wilson the other day over here and must say that I was delighted to meet him again. This may come to you as a surprise, as you will remember some of my statements in London. Those statements I do not retract, for as far as I can gather the facts I believe him to have been dead wrong. At the same time I liked him very much and enjoyed very much being with him.

The political situation is very complicated as you undoubtedly know much better than I, for your acumen more than offsets your distance from the scene. As far as I can gather Taft seems to be gaining a little as the country is so prosperous that a good many people are beginning to doubt the advisability of asking for a new deal when the turned up cards look so promising. Wilson has, to me at least, been a disappointment as I have never thought much of the Democratic platform and had hoped that his utterances might in some way redeem the failings of his party. His policy however seems to be to hedge and his

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speeches sound a good deal like the platitudinous utterances of the Sunday School Superintendent of Commerce. T. R. has just returned from his long western trip. It is very hard to know just how he stands but my own feeling is that he has not been gaining ground as there has been a little too much invective, which although it may go for a time is bound in the end to discourage support. Personally I like the Progressive Platform the best and believe that the movement is the right one, that it could only have been galvanized into action by Roosevelt and that he is the best leader of the three, although I am quite willing to recognize his many other short comings. I should think that the chances are very slim for any Bull Moose success this autumn, but I do believe thatfour years from now the Republican Party will have been merged into the new organization, which has far more vitality than either of the old parties, and which if Wilson is elected and a Democratic Congress shown up is apt to draw a good many of the progressive element from the Democratic party itself.

Dorothy has been very well and we have been having various people down at the country. Mose Robinson was down last Saturday and spoke of you in terms of great affection. We played polo together at Rockaway and had a very good game. Without any false modesty I think I may say that I expect to make the international team next Spring, as everybody has been remarking on the brilliancy of my playing. This may come as a surprise to you but you know America is the home of rapid, startling development. I have not seen Alice, nor the Robinsons, but Dorothy and I went over to see Mrs. Roosevelt the day before yesterday. It made me rather sad to go into the house as there is an atmosphere of depression throughout the place which I did not like. Apparently T. R. has spent so much of his money in campaigning and entertaining his political friends that the family is now pretty hard up and they even have to give up their

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automobile, which, for people living in the country as they do the year round, would be a real deprivation.

We have taken a house in the city for the winter up on 67th Street, which is neat but not gaudy, but I must say that I do not like the thought of living in the city.

Let us hear from you and if there is anything we can do, let us know. Dorothy sends her love and has been asking me every day for the last month whether or not I have written you, so I presume that you would never have received even this tardy communication had it not been for her.

Yours,

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October 10, 1912.

Dear old Prather:

It was fine to hear from you this morning, for when you do start to write a letter it is a real one, and all your thoughts on the situation here are very timely and very much to the point. The impressions which you anticipated I would have on arrival certainly came with a good deal of force and worried me a good deal for the first few weeks I was back, but at the present time I think that I am beginning to find myself.

All that you say is true but pikers seem to be in overwhelming majority and it is a very difficult thing to prevent their overloading the bandwagon. However, I imagine that things are really very much better than they were ten years ago, and for that matter at any time during our history, for although in the early stages of the Republic there may have been a number of men whose abilities and disinterested patriotism exceeded the portion of similar characteristics possessed by the political leaders of today, there has certainly at no time been such an awakening of the national conscience and such a real interest throughout the whole country in the problems of the day. The only difficulty is that where the mass of people are becoming conscious of their power and desirous of wielding it for the general good perhaps, but for their own individual good certainly, the leaders to gain the necessary support seem to find it necessary to adopt methods more suitable for the demagogue than for the statesman.

I am very glad to hear your views as regards T. R. and the Progressive Party. In these I most heartily concur. I have been very anxious myself to get into the game but the time did not seem right for I could not, of course, engage in any political activity, whether it be for Wilson, Taft or Roosevelt, and at the same time remain in my present position.

There are very conflicting reports as to the progress of the campaign and by the time this letter reaches you you will doubtless know its result, so that any speculation on my part is useless. I have seen men identified with all three organizations and all of them quite honestly, apparently, state that they are astounded at the progress which their respective candidates have made. The wish is father to the thought. It is pretty generally conceded, however, that although there may be a drift to Taft as some people claim, he will be unable to run better than third. Wilson in his speeches has been a disappointment to me, as I have already written you, as I have looked forward to a clearly thought out defense of the principles upon which the Democratic Party is supposed to be waging this campaign. I confess that for sometime I had doubted the existence of any principle, safe for the desire to get into office, on the part of the Democratic Party, and Wilson, who from his speeches seems to be a combination of a pedagogue and a Jesuit, is apparently no better than the rest. In this I may wrong him but you yourself see the papers and are able to judge. The news columns of the New York Press as a general thing seem to be remarkably unbiased, no matter how much prejudice may be injected into its editorials, and the reports of the speeches printed in that paper seem to be fairly accurate as far as one can judge.

With regard to the question of the Panama Canal, I had never heard before that in the Senate discussion it had been specifically decided that coastwise traffic should be entitled to an exemption, and I must confess therefore that I have little sympathy for the vituperations of the British press. On this point I am by no means as yet certain, for it would seem to me that the Treaty clause assuring equal terms to the vessels of all nations is in a way a general statement of a proposition, the real application of which is governed by the statement that there shall be no discrimination. If this interpretation be correct I am unable to see why there should be any cause for criticism based on the fact that we have exempted our coastwise shipping.

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I understand that the clauses assuring free passage to any American vessel, the owner of which promised to turn the ship over to the country at the time of war, was excluded from the bill before its final signature. A clause of that sort of course would have been inexcusable. No matter what the real facts of the case are, it would seem to me that there was, and still is, a most lamentable confusion as to the exact provisions of the Bill and of the Treaty which it is claimed has been violated.

As I wrote you the other day, we are coming into town in about three weeks and expect to be settled here for the rest of the winter. I shall keep you posted as to how things are going and hope that you will write long and often. Dorothy sends her love, or would do so if she knew of my writing.

Yours,

His Excellency,
Henry Prather Fletcher,
American Minister,
Santiago, Chile.

October 17th, 1912.

Dear Excellency:

As a usual thing I admit I am at fault as regards correspondence but in this particular case you would seem to be the goat. The letter which you wrote me from Lisbon was duly answered from London but since that time nary a word, bar your cable which we received on the 7th and which we very much appreciated.

Last Saturday I went to Washington with your friend Davis, whose projects anticipated by you in your letter from Lisbon seem to be assuming fairly political form. As you know, he is quite a friend of Davison's and he has been spending several months in this country, during which time he has taken up the whole question of Cuban financing with our people and has succeeded in interesting them considerably. Our present attitude is what you might call receptively acquisitive. We do not want to go into this field only to find we are going to become involved in endless negotiations and difficulties without any commensurate return. At the same time, if things are at all promising, I believe there is very good reason to expect that something could be done. Davis and I saw H. W. Clark the Solicitor and Deering, and had a very satisfactory talk, although the Department's attitude of course is not what you would call very definite.

While there I lunched with H. W. and his charming wife, and had some little time with them. I also saw Messrs' Janes and Chandler, Anderson and a few others. As I expected, I heard glowing reports of you on all sides. Your performance in Uruguay was described as nothing less than marvellous and they all feel that in Brazil you're repeating your success on a scale corresponding to the relative size of your present and your recent South American posts. It must be very gratifying to you to feel that your work is thus appreciated for although I imagine the Department does not give vent to any very great measure of commendation, even though when most deserved, they certainly realize what you are doing for them and they cannot

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be so ostrichlike as not to have some glimmering idea that for the sake of future good relations it is well that some of the asperities of "Dollar Diplomacy" should be tempered by the charms of your dinner table.

With you and Fletcher south of the equator the Monroe Doctrine for the first time becomes a practical question out of which the honest banker ought to be able to make a small but satisfactory percentage. There is a good deal of talk about South America and the question of organizing a South American bank but as yet nothing very definite seems to have developed.

We hear now and then about the pipings of Mr. W. Morgan Shuster but any tangible results, however large they may be, have not yet come within our ken although the City Bank may be prospering greatly thereby. I heard from John Bassett Moore that Shuster had been in Brazil for some time and I am surprised that as yet no news of a revolution has reached us. His Persian experience must have increased his tact.

The political situation has been very interesting indeed. I do not feel really very competent to give any opinion on Wilson. His speeches, however, have not appealed to me and it has seemed that he was doing his best to keep a seat on the fence and to make as few commitments as possible, allowing the other fellows to make the breaks although he himself is by no means adverse to talking. Wilson's friends say that he is endeavoring to make his speeches as general as possible and to avoid promises of all sorts in order that if elected his enemies may have the least possible opportunity to point out the discrepancies between promise and performance. In this he may be wise but personally I have not liked the particular brand of hot air which he has been distributing although I presume that if elected he would be a pretty safe man, provided his party, which has been starving for the past twenty years, will let him. His recent hobnobbing with Bryan, I believe, has done him little good and taking all in all I should think that he was losing rather than gaining ground. Whether he will slide back sufficiently however to lose the enormous lead which the split in the Republican

Party gave him at the outset, I do not know and it is really on this issue I think that the result of the election hangs.

Without any particular justification for the feeling I have a hunch that Mr. Taft has been gaining steadily, although perhaps not to any great degree. The country is so prosperous that many people I believe who might have been carried away by enthusiasm at the early stages of the campaign, are now beginning to ask themselves whether the old bunch despite its faults is not the safest after all, and whether anything really is to be gained by attempting to change good for better.

The attempt on Col. Roosevelt's life many people believe will gain thousands of votes for him. I do not know that this opinion is justified although it may be. His courage and nerve command the strongest admiration although his enemies of course will claim that it was played to the gallery. Various Progressive leaders with whom I have talked claim that despite their earlier fears they now believe that Col. Roosevelt has a good chance of being elected. This may be true although I am rather inclined to doubt it. It is in fact almost as difficult to size up the situation from New York, which has an atmosphere of its own - quite distinct from that of the rest of the country, as it is to get an accurate estimate of the situation with your perspective. One thing, however, is certain I believe and that is that although the candidates, and some of their leaders, themselves may be very much worked up about this campaign, a great majority of the people have become rather tired and have made up their minds that it is really a choice between evils in any case and that they do not care very much who wins.

In talking with H. W. the other day he seemed to think that Wilsn, if elected, would probably not remove from the foreign service men who, like yourself, have been identified with it for a number of years and whose appointments may be deemed political in character. I presume, however, that you must be very anxious as to the outcome in November and I shall certainly

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Keep you advised in case I should hear anything which might interest you.

We have been living in the country ever since our return but expect to move into New York next week, having taken a house at #22 East 67th Street, next to Cuttings. Dorothy is very well and would join me in much love did she know I were writing. With best wishes for your continued and increasing success, believe me,

Yours always,

H. E. Edwin Morgan,
The American Ambassador,
Rio de Janeiro, Brazil.

Nov. 12th, 1912.

Dear Frank:

Enclosed I am sending you a copy of a letter which I received from Mr. J. R. Jernigan, whom you doubtless either know or have heard of. He is at present practicing law at Shanghai, where he was for many years American Consul General. Jernigan I have known for a long time. Our correspondence however was started last summer in connection with the "China Press".

I do not believe that I have told you that Millard got into financial difficulties last year. He wished certain immediate assistance and desired also a considerable loan to finance the publication of a Chinese edition. The latter project interested me greatly and to secure an option on financing this Chinese paper I advanced him $17,000 Gold, taking a mortgage on his plant. My option lapses next July and I should be very glad for an expression of your views as to the advisability of taking it up and getting out a first rate Chinese newspaper, which does not exist at the present time, in case the Six Groups come to terms with China. I wrote Jernigan asking him to arrange the mortgage on the China Press and in reply received a letter requesting me to look into a railway proposition in Anhwei and in northern Kiangsu.

These projects I discussed with Davy when he was in London and advised Jernigan that there was nothing doing. His letter, a copy of which is enclosed, followed. The project discussed therein is in a way similar, I presume, to that regarding which you telegraphed some days ago. From the last telegram in, which states that our friend Birch Crisp is anxious to find a seat on the band-wagon, I judge that there will be less talk of the break-up of the consortium and the initiation of separate negotiations. Nevertheless something might come out of Sun's railway scheme and it would

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be a mistake, I think, not to watch it.

With regard to the "China Press", I should have told you about my connection therewith before. You will of course regard it as confidential but I do wish that you would keep a tab on what Millard is doing and if you have any suggestions to make as to the publication of articles which might be of benefit to the general situation, I should think you might very well write to him. Before he left I suggested that he keepin touch with you and I presume that should you communicate with him he would take it for granted that you knew of the obligation which he is under to me.

The election has blown over with the anticipated result, and now everyone is wondering what Mr. Wilson is going to do and what his attitude toward the Group and its ventures over-seas will be. I trust that everything will work out all right but it is of course as yet too early to prophesy.

We much appreciated your message from Peking and the congratulations of the representatives. It was a strange feeling to have these new responsihilities but they make us both very happy.

Yours ever

F.H. McKnight, Esq.,
American Legation,
Peking, China.

P. S. Send us some more dope from the chest. I should like to know the inside history of the last two months in Peking. Your letters are making a great hit with the Group and with the State Department, also, but personally I should like to have a little more profanity and a little more talk about real names just for my own satisfaction.

W. D. S.

14/17/249

14th Nov. 1917

My dear Straight

Mr. Bland writes that Thursday the 21st will be the convenient date for his lecture here. I have scheduled it thus, but reluctantly because his engagements in New York on Wednesday and in Boston on Friday afternoon will allow very little time for us to see something of him.

I have been skipping through "China under the Empress Dowager" — very meaty — and "Houseboat Days"; which, to tell the truth, amuses me more. But neither tells much about the author (& prospective lecturer) himself. Now I have found it helpful in turning out an audience if I could give the Cornell Daily Sun a "story" on the life & works of the distinguished gentleman who will speak, perhaps with dull legends of his infancy. But I find nothing of the sort. Could you get a minute before long to dictate for me a little "dope"?

President Crane, when I told him that Mr Bland would come, forbade my postponing any longer the invitation that he told me last Sept. to send you on behalf of the University, to give us, as well as Clark College the benefit of a lecture on some subject of your choice.

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Being modest, at times, we should not expect to be let into the secret places of the Six Powers; but we should be content with any less weighty matter — or more weighty — that you might like. So you have a most cordial invitation, which has been delayed only because I have been expecting from day to day to ask you, and Mrs Straight if she will, to stop at our house on Buffalo Street.

Now the old shock played us an ill trick, a lot of plaster falling in the hall about six weeks ago. The mason invited to restore it of course found indications of dilapidation elsewhere. Incidental to the restoration, we decided to wire it, also to rebuild a smoky fireplace. Then there was papering to do, etc., etc. The University is putting up 5 large building, the city a new high school, and the Hospital Association a new hospital. Therefore this little place finds the gentlemen of the building trades hard to get & independent. There have been delays & delays & Mr. Crane thinks there ought to be no further postponement on their account of the invitation that he has long been desirous of sending to you.

It is, further, perfectly true, I believe, that in midweek you could both be very comfortable in the preachers ~~[illegible]~~ suite — vulgo the Prophets Chamber — at Sage College, where the University often puts its guests up. Quite as comfortable, no doubt, as with us. Only somehow I don't like to think of you in Sage College. And at present we are a heap of plaster.

But my likes are neither here nor there. It is my duty — as well as my pleasure — to urge upon you the acceptance of the corporate hospitality, and we should be very greatly pleased indeed if you would accept it and give us a talk — anything that you think students ought to hear. Will you not do it?

Pardon my following you on a holiday with my importunities. Only the accident of Mr Bland's present imminence can excuse — but I hope that may excuse, the solecism.

Friday and Saturday I shall be at Hotel Martinique. If you are in the city & have time to give me an appointment I'd gladly talk this, & other things, over a bit. Believe me

always faithfully yours

Charles W. Hull

Willard Straight, Esq.
Care of President Stanley Hall
Clark University, Worcester, Mass

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November 16th, 1912.

Dear Frank:

Referring further to your letter of October 16th. From your telegram #236, of November 5th, I gather that you have probably already written to the Group regarding Dr. Sun Yat Sen's railway plan and that it will reach here shortly. We have seen a good deal about this scheme in the newspapers but as you know it is impossible to be sure that anything appearing through such channels from China is authentic. If you have not, although I presume that you have already done so, I hope that you will write fully regarding this scheme, which, while it may be visionary at present, may develop into something of importance later.

It seems to me you are absolutely sound in telling Rea that it will be impossible for the American Group to pay part of his salary should he become connected with Dr. Sun Yat Sen, as it would certainly lay our position open to very serious question by our already none too sympathetic colleagues.

With regard to general developments in China, of course I attempt to follow things as closely as I can through the North China Herald and by occasionally glancing over the Chinese Press. At the same time it would really be of very great assistance and value, as well as of intense interest to me, if you would personally and unofficially give us every two weeks or so a general summary of the situation. Such letters, moreover, would I think be to your own advantage, as the members of the Group are very appreciative of anything you write and are always glad to have the personal touch. Having been through the mill myself I know the difficulties with which you are contending and the petty jealousies and back-biting which goes on all the time. I know the pressure

which must have been brought to bear on you to recommend some modification of the control conditions asked by the Groups and I think that you have done splendidly in maintaining your Missouri attitude, by looking facts in the face and considering business from the business, and not from the optimistically sentimental, point of view. Your attitude has been very greatly appreciated here. It would nevertheless do you no harm if the members of the Group understood a little better the difficulties in the face of which you have stood pat.

Personally of course I have always had a sneaking sympathy for the Chinaman and still believe in the soundness of the country as a whole, although I have been greatly disillusioned regarding the integrity of the officials. But it seems to me there is one consideration which you have doubtless taken into account but which I trust you will not object to my calling to your attention. That is, that while the terms demanded by the Groups should be as sound as possible there will always be a danger that regarding the situation solely from the business point of view, one may be apt to overlook the fact that the joint action of the Six Governments is after all our best guarantee. In other words, I believe that we should make every effort to preserve the Six Group combination even at the risk of sacrificing non-essential conditions which we deem desirable however from the business point of view, for this would assure to us the continued support of the Six Governments which, as you know, is to us all the most important factor in this business. For example, if we should refuse to continue in the business because we objected to conditions which were satisfactory to our colleagues we would find ourselves excluded from the Group. If the joint pressure of the Six Groups could not obtain from the Chinese safeguards which we deem essential, the American Group acting alone could certainly not hope to do so and we should find the five groups continuing to undertake Chinese loans upon conditions which, though the control conditions might be modified, would entitle them to the continued

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support of their respective governments and therefore make the business pretty sound.

This of course is merely my personal view but it is one which I have been putting forward here, and it is I know held by the State Department.

I had a note from Ohl this morning, in which he said that Tang and Alfred Sze, as well as some of your distinguished colleagues, have been blaming me for the Group's insistence upon terms which the Chinese consider onerous. While I certainly have agreed to what has been done, I am inclined to think that you, from the Peking end, and Davy, from this, deserve the credit for our standing pat, for I confess that I myself have on several occasions had slight chills about the feet. However, the Chinese seem to have come back to the captain's counter at last and their action is certainly a justification both of your position and of the position which the American Group has adopted throughout. I have replied to Ohl this morning as per copy of letter enclosed.

This ought to reach you about Christmas time and I hope that you will have as merry a one as possible under the circumstances, and that those to come will be far merrier still.

Yours,

F. H. McKnight, Esq.,
American Legation,
Peking, China.

November 21st, 1912

Dear Prather:

Your letter of the 28th just over the side. I do not blame the Chilean society for feeling insulted that you should have worn a shimmy to a fancy dress ball. You ought to be ashamed of yourself, especially at this critical stage in our foreign relations.

You must have had a number of lines from me since you despatched the document under acknowledgment, as I have been rather effusive in my recent correspondence. However, there has been nothing but several telegrams in since the son and heir was born to us and Woodrow Wilson elected as President of the United States. I give these events in the order of their importance.

Dorothy has had a pretty bad time but is now doing very much better. The young man takes after his father apparently, and seems bursting with health, hunger and bawls.

Bland arrived in company with Gaby Deslys and A. Wendell Jackson. Nice company for a decent man to travel with. He claimed he did not meet Wendell but I have my doubts. In any case he became intimate with Gaby and desires to write for Collier's an article on the social and moral aspects of the French tart. Since Norman Hapgood has left the staff of the national weekly, it probably needs something of a little punch like that to make up for Norman Hapgood's bilious attacks.

Together, Bland I invaded wildest Massachusetts, to wit, the town of Worcester, where we struck a rough neck conference, composed of B. Atwood Robinson of the Sub-Target Company, whom you probably remember as having been a public nuisance in Peking at one time; Albert Bushnell Hart, the whiskered progressive; W. W. Capen, well named but misspelled; and Charles W. Elliot, of Harvard University and Carnegie's international

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association for interfering with other people's business; C. C. Wong, the young Christian soldier, who used to bask in the sunlight of your profanity when you were Second Secretary in Peking, but has since become one of our most prominent young revolutionists, as well as Dr. Chen Chin Tao, all of whom addressed the villagers.

They put Bland and myself in an over-heated 2 x 4 hotel, where we created a terrible sensation by asking for a cocktail, which we were caustically informed the hotel did not sell. They fed us on spoiled scallops which kept us waiting for each other at the door of the throne all night and did not improve our tempers for the following day when we were to speak.

Bland told them a few facts about the increase in the opium traffic and the rise in provincial monopolies corresponding with the prohibition of the import of foreign dope. This they did not like. McCormick handed them a few hot shots undigested but effective about the young Republic, and I addressed them with a great many well chosen words, which have now been published in pamphlet form at the special request of Mr. W. J. Bryan, who is about to assume the portfolio as the Secretary of State. I will send you a copy of the address when it is completed.

As you doubtless remember, William and I are great friends. We got to know each other very intimately when he was in Korea, when I used to sit on his bed, while he in a black alpaca cap dictated to Mrs. Bryan who was pounding the typewriter. I hope you will treat this communication in confidence inasmuch as I expect to be appointed Assistant Secretary by Mr. Wilson largely through Mr. Bryan's influence. I should not like to have these facts become public.- b ---s--.

It is really very hard to size up the political situation now. The Sun yesterday printed a story, which it claimed to have secured on pretty good authority, that Bryan had been offered and would accept the job of Secretary of State. This of course has been assumed for some time but was promptly denied

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by Bryan yesterday from Savannah where he was delivering a temperance lecture. There is no question but that Wilson owes a great deal to Bryan and the political wiseacres are trying to figure out how he is going to discharge his debt and at the same time sterilize the Nebraskan. It is apparently felt that W. J. is looking for the Presidency in 1916 and that if Wilson allows him to stand in the shrubbery and criticize his administration he is apt to make a good deal of trouble. It is thought therefore that Wilson will make every effort to get Bryan into the Cabinet and force him thereby to share some of the responsibility for what most people anticipate will be a good deal of an administrative fiasco. From all accounts Wilson is pretty pig-headed and his record apparently, at Princeton especially, has been one of broken friendships and petty squabbles. This of course comes from his enemies. I have not had an opportunity to talk with his friends, who will doubtless tell quite a different story although there are certain facts upon which those who run may read certain conclusions.

The day after election I talked with Mrs. "Bordy" Harriman over the telephone and told her that if she was any good and had any influence with Wilson, she would have you made Assistant Secretary of State. She laughed and said that her husband thought that would be a good job, but she spoke of you in the warmest terms and seemed to think that Wilson would not separate efficient public servants like yourself from the government payroll. If I were you I should sit tight in Chile, as you doubtless expect to do, and see how the wind blows, coming up to Washington some time in the spring after the new Administration gets started. Bryan I understand is a firm believer in an organized service, should he become Secretary of State, but if he takes this attitude it augurs well for the future. Personally I wish very much that they would send him to London as Ambassador. It would please the British so and he and Lloyd George would make a good international heating plant.

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I think that you are a little wrong on the Calhoun dope, for I do not see how the old man could have stopped Yuan and Morrison but perhaps he might have scared them a bit. You doubtless are more familiar with this than I and I presume that you base your opinion on the Department's information series, which unfortunately are not sent to us for revision as any intelligent government should do.

As you doubtless know, George has gone off to the wars. He probably has communicated this fact to you himself, although his advice may have been shrouded in such an air of mystery that you may not have realized exactly what his plans are. As far as I have been able to gather he is to represent Collier's at Constantinople and if he settles down to it, he ought to have a splendid chance for making a hit. The little water wagon jaunt which he took did not last long, as, being naturally chivalrous, he at a very early stage got up to give his seat to a lady and sat in the dust while the good old cart went rumbling down the street.

We ourselves are resting content without plans and I hope that we shall be able to do so for sometime to come. I am holding down a revolving chair in the office and trying to make a noise like a working man but without much success. However, there seems to be enough to do to keep me busy during the greater part of the day by carefully spreading over the jobs with sufficient intervals for a smoke and recreation.

This ought to reach you about Christmas time and carries our very best love. We shall expect you to reform your hitherto evil ways on the assumption of your job as Godfather. I trust that you realize your responsibilities in this matter. If not, consult the Episcopalian Prayer-Book. The other Godfather is old Morse Stephens, whom you remember, and the Godma is the beautiful B. B.

Yours,

His Excellency,
H. Prather Fletcher,
The American Minister,
Santiago, Chile.

Nov, 22nd, 1912.

Dear Frank:

Although it is only a few days since I wrote you last, I want to thank you for your very full and interesting letter of October 28th. We had received a line on Sir John's call on Mr. Calhoun through the State Department, for the old man wired something about the American Group's having "butted in" and having continued to make trouble ever since. When Hillier telephone this information, the whole situation was as clear to me as/if I had been in the little library at the Legation. I can see dear old Sir John nervous and worried, having been "got at" by Hillier, Morrison and Mayers, and a large number of Chinese officials who bleat from Legation to Legation, like the lost souls which some poets have said flutter 'twixt Heaven and Hell, and I can see the old man, who always has that fear of the Wall Street monopoly in the back of his head, going up in the air with his colleague, the British Minister. It makes me terribly sore to have the British adopt the attitude they have taken but there is no use disguising the fact that they do not like us, never have liked us and never will like us, and would always prefer to make us more than anybody else the goat when things go wrong. Of course the Americans make a lot of trouble and so does anybody who tries to adhere to principles, when our British cousins do not really give a damn for principles or anything else very much, as long as they duck the present embarassment. However there is no use stomach aching about this sort of a thing for the more I think of it the more profane I am apt to become and it is not good for my health to give vent to my temper nor good for Fiedler's morals to have to put my profanity down on the typewriter.

I am very glad that you received the correspondence from Morgan, Grenfell & Co in due time. It came as a great relief to me, for it showed that after all we were not the obstructionists we were accused of being.

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As you know, I have always been in favor of giving the Peking representatives a good deal of discretion as regards working out the manner in which the principles agreed upon by the Groups as necessary should be applied. For the life of me, however, I cannot see how the principle of control can be retained by machinery different in any material respect from that already suggested. The control machinery suggested by the Paris Conference, in fact, was practically that which the Peking representatives drafted in connection with the Financial Agency scheme before I left Peking. Hillier and Mayers, you will remember, were very keen about this thing at the time. I presume now they are as keen to disown their own handiwork and claim that the control provisions were devised by a lot of impractical Tyros sitting around a green table in a Paris restaurant.

From your letter I see that you do not agree with me as to the imperative necessity of preserving the Six Power combination, and that you would be inclined to think that the American Group might make a good deal more out of the Chinese business if we should break away. That view, I think, is already held by several people here in New York and I myself should heartily concur therein if I had more confidence in the American Government and in the willingness of the Group to undertake themselves a Chinese loan without having a back door exit into the European markets. You know full well that some of our friends have a fondness for fire escapes and their timidity which may or may not be justified would probably tie us up into knots over any independent business we might undertake, just as it did more or less with the Currency Loan.

Another thing, while from a purely business point of view we might be able to get away with a fine bunch of contracts for ourselves, it is my feeling that we would never be able to realize much on them, for past experience makes me fear that no matter what China's commitment might be to us, our friends in Europe would exert such diplomatic pressure on the Peking Government that the Chinese would have to yield and even denounce agreements

they might have made. This brings the whole thing back into the political atmosphere again and it is possible that my fears in this respect are unwarranted. Regarding this you are in an excellent position to judge, but I must confess that the lesson of the Chinchou-Aigun Railway and Manchurian neutralization is still very vivid in my mind.

I can quite understand Mr. Calhoun's attitude. Your experience with him is no different from my own. I dearly love the old man and am so fond of him that I have always regretted that it was necessary from a practical point of view to criticise his short comings, exactly as you have done in your letter. The difficulties you have experienced were anticipated in our conversation the first night you arrived.

Of course our position is, as you say, very different from that of the other Groups, especially the British Group, and in fairness we must recognize that our colleagues, for the sake of protecting that which they already have, might be willing to undertake business which we did not consider entirely sound. It is quite comprehensible, moreover, that if they think certain steps are essential in order to protect their interests they may resent obstruction by us, who are really so little concerned. It is this thought which prompted me to emphasize the possible desirability of making as many concessions as possible to preserve the combination. We cannot very well afford to be placed in the position of a dog in the manger.

There is not very much use in commenting on the situation reported by your telegrams of the last few days. We are waiting for developments which we hope will soon come to a head.

Your Peking news was most welcome. I am sorry that there is any sign of a rift in Casenave's lute. The French, however, I imagine, are under pretty steady pressure from the Russians, both in Peking and in Paris.

From this end you have doubtless heard that Trubee has again gone

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back to Groton and that the Davisons have settled in town. Harry has been up to his eyes in getting ready for the Money Trust investigation. I imagine he has thought of little else in the past few weeks. According to present arrangements, both he and Mr. Morgan will testify on December 9th.

There has been considerable talk lately about getting hold of the International Banking Corporation and certain negotiations are in progress. What the result will be I do not know. If we had a banking organ in China under efficient management, I should be much more inclined that I am now to believe that there would be something to gain for us by a break-up of the Six Group combination.

The papers are full, of course, of speculation regarding Mr. Wilson's Cabinet. The dope is that Bryan will be made Secretary of State. One should not, I suppose, criticize this great and good man, but I must say that from what I saw of him personally a few years ago in Korea, and what I have heard of him since, I am inclined to think he would handle our foreign affairs along new and original lines and turn the Department of State into an international Board of Missions. However, we shall see.

I saw Jennings last night and he asked very particularly after you, as do many other of your friends whom I meet from time to time. They all hope that you will be able to get back soon and I assume you yourself share this view. I spoke to Davy about it the other day, making it perfectly clear of course that you had said nothing to prompt my opening the question. He quite appreciates your position but is very much pleased with your work and desires, I think, that you should remain in Peking until this whole situation works itself out a little more clearly and until we discover whether the American Group is going to continue in Peking along its present lines or branch out through the International Bank,

Very many thanks for your second letter, enclosing a skit from Mr. George Bronson Rea. Ia am very glad that he is on the job, especially since

we had nothing to do with it. He will do more to protect American interests than almost anybody else possibly could do, for he is thoroughly familiar with the railway situation and for the last three years has considered the extension of American trade in China really as a "cause", to which he has given every ounce of strength and intelligence that he has. Something ought to come out of it.

Dennison, with whose name you are douhtless familiar, who for the past thirty years has been Foreign Adviser to the Japanese Government, is in town. He dined with me night before last and is dining again tonight. I shall try to find out exactly what we can do with the Japanese regarding the Currency Loan. I think that our first dinner resulted in clearing away certain misunderstandings that have existed for the past two or three years, and I hope that as a result of tonight's talk with him we may be able to evolve some sort of a practical scheme. Up to the present time everybody has been inclined to duck on this issue and, as you know, facts cannot be evaded indefinitely.

With best regards,

Always yours,

F. H. McKnight,
American Legation
Peking.

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23 Wall Street.
New York.

November 28th, 1912.

Dear Professor:-

Very many thanks for your letter of November 23rd, which reached me this morning. I am glad to hear that Bland got away without having been bombed by some of your enthusiastic students. He is very grateful to you for your courtesy while he was in Ithaca, and was very much impressed by the University. He is quite definite about his intention of returning later.

Thank you for your much appreciated invitation to visit you. I shall await further news as to the progress made by the mason before arranging any definite date. I am afraid, however, that Mrs. Straight will be unable to travel for some time to come, especially as the young man is hardly old enough to move about very rapidly.

As to the talk to be handed to the Cornell undergraduates, I fear that my experience as a war correspondent would savor too much of the flesh pots of Tokyo to make a very interesting subject for an address. As to "University Education as a Preparation for Public Service, particularly Foreign Service", the subject would be very interesting and I should like to work it out. At the present time, however, you will agree, I think, that a more appropriate title might be "How a University Education might be

a Preparation for Public Service", and as to this subject I fear you might find a great many most respectable gentlemen who would question the advisability of my attempting to teach my grandmother to suck eggs.

With kindest regards, always,

Yours very sincerely,

Willard Straight

Professor Charles H. Hull,
Dean, College of Arts and Sciences,
Cornell University,
Ithaca, N. Y.

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December 5th, 1912.

Dear Frank:

With reference to the telegram of the other day regarding Rea's railway scheme, I am enclosing herewith a copy of a letter which I have today forwarded to Rea direct, and which I trust will meet with your views.

Rea has sent me a clipping of his article in the Shanghai Times, which you also had sent direct to Davy. In a later communication he also sent me a proof of a forthcoming article in the "Far Eastern Review". In this it seemed to me that I sniffed arguments originally put forward by you - and me thought even that I could detect traces of your inimitable style In all of these articles he lays stress on the fact that the Groups were to pay 95 for Chinese bonds which, as you of course know, would be ridiculous in the present state of China and European markets. It would seem to me that Kirton and others who have been working in the East for Crisp would at once take advantage of this, if in fact they have not already done so, in order to discredit Rea's whole argument which in the main is a very sound one. It was this fear that prompted the reference in my telegram to this matter.

I had a long letter from Ohl the other day, and from what you say, and from what he says, and from what we ourselves can gather of the general situation, it looks pretty hopeless. There were certainly many hopeless times during the Manchu regime but they all seemed to work out some way in the end. The discouraging feature of the present situation is that there seems to be no stability and no prospect of the creation of a powerful central administration. The revolutionists have been very successful in destroying but as far as we can make out they have been conspiculously lacking in constructive ability, and, indeed, in any conception of the necessity of sacrificing individual aims for the sake of common good. This characteristic unfortunately they share with a good many of our own fellow countrymen.

I am very sorry indeed to learn that the "National Review" should have gone after the old man. It is too bad and I presume that he felt it deeply, notwithstanding the fact that Kirton is a rapscallion. It is really amusing how in the end one comes back to one's original impression of people. I remember meeting Kirton as a war correspondent in Tokyo at the beginning of 1904 and being extremely unfavorably impressed by his personality. Later I saw him in London, in Mukden and in Peking, as well as Shanghai, and rather feared that I had misjudged him. Recent events apparently have justified the original impression and have shown that the charitable interlude was unwarranted.

As I have so frequently written you, I wish that you would give us a little more of the local dope. Tell of the intricacies of the loan negotiations, of the dishonesty of your colleagues, the hopelessness of the Chinese and all the rest. The personal touch is really of the greatest value. Had I not been so intimately connected with all these things, it would be very different but having become accustomed to form my opinions on countless little things, as well as on the more important and self-evident facts, I greatly miss what may seem to you, as it did to me when I was in it, the humdrum pettiness of every day life.

With best wishes,

Yours,

F. H. McKnight,
American Legation,
Peking, China.

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December 12th, 1912.

My dear Thomas:

Many thanks for your two letters - one of November 2nd and the other of November 4th - both of which reached me at the same time, a day or two ago. I have been much interested in reading what you have to say about the loan negotiations. The artifcles in the "Shanghai Times" to which you refer have not yet turned up but Rea has sent me one or two clippings, which I presume are identical with those referred to by you. I quite understand what you have to say about the necessity of giving Yuan a sum of money with which to handle his own private affairs. At the same time I think this will be difficult to arrange.

If the Chinese had been willing to agree in June last to the conditions which they they are now apparently willing to accept, the loan would have gone through, the issue would have been successful for the market at that time was excellent, and everything might be going along in good shape. As usual, however,they have done the right thing at the wrong time, and they seem unwilling to proceed with us unless we guarantee them very large sums of money at once, sums which we could not in any case advance from our own pockets and whichwe could not now obtain from the public. This Balkan situation, if it clears, will throw on to the market a lot of new securities issued to finance the readjustment following the war and these bonds will be very much more attractive to the investing public than Chinese issues, especially after the way in which the Chinese have played fast and loose during the past six months. One cannot of course condemn them too severely, fully recognizing the difficulties with which they have been confronted. At the same time, facts are facts. They have been unreasonable as well as inefficient, have been guilty of scurvy tricks, which if performed by an individual would have made it impossible for him to obtain credit from any reputable banking house.

[12-12-12]

Despite the discouragement of the present moment, I am inclined to think the "big Loan" will go through eventually. Mr. Crisp may attempt to issue his second series of £ 5,000,000 but I doubt if it will have any success. The next move, of course, will be that the Chinese will be obliged to return to us and by that time we may be in a better position to talk business than we are at the present moment. As a matter of fact the American market is in the best situation of all but we could not in any case ourselves swing transactions of the size desired by the Chinese.

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Yours very sincerely

J. A. Thomas, Esq.,
22 Museum Road,
Shanghai, China.

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Dec. 16th, 1912.

Dear Frank:

Many thanks for your letter of November 21st, supplementing your formal communications to the Group. We are telegraphing you today regarding Jameson's remuneration. I think it would be a mistake to allow the Group to be placed under obligation to him, or to have him think that such was the case.

We shall be very much interested in seeing Rea when he arrives. The more I think over his scheme the more convinced I am that it is ab-absolutely impossible, and as to the Hanyang Iron Works, in which Jameson seems to take so much interest, I have gone through the same state of mind myself, and two years ago was crazy about it, but from all I can judge of the views of the Group, and the probable attitude of the incoming Administration, it would be perfectly ridiculous for us to attempt to handle a proposition of this sort. When Schwab was in China a year ago this autumn, I talked to him about the matter and he said he would not consider the proposition at all, unless given absolute control, which I should think the Chinese would probably be unwilling to do, and even if they would give it there would in the first place be friction with the Japanese, and, in the second, the practical certainty that the Chinese themselves would resent their bargain and try to get out of it as soon as the immediate fear of Japanese aggression was removed.

The process may be slow, but I am convinced, in my own mind at any rate, that the only solution of the Chinese problem is to have international co-operation contined, giving each foreign interest a proper share in any enterprises that may be undertaken and keeping a balance between them all under some mutually acceptable agreement. If this is not done and we all started out trying to get railway concessions, we would be cutting each others throats and the Chinaman would be the only one to profit temporarily, and he himself would be sadder, certainly not wiser, in the end.

I am afraid that I do not agree with you as to what you say about Rea. I personally can see no reason why he should owe any particular loyalty to the American Group. Rea it seems to me has for years been endeavoring to further American interests and he has rightly believed that American interests could best be assisted by the American Group, and has therefore worked with us for this reason, as well as because of his personal friendship. In case the American Group should now be unwilling to take up the scheme which he has prepared, I can see no reason at all why he should not be at perfect liberty to go to some other American concern and endeavor to put this deal through. It seems to me that it is unfair to Rea to ascribe his desire to do this business to personal greed of gain. One can certainly not blame him if he wants to make money out of it but I believe I know Rea well enough to be sure that this is not the primary consideration and that his sole object is to do something for his country, and personally I am sure that if we do not feel in a position to take up his proposition and he is able to interest any one else, I wish him all the luck in the world.

Yours,

F. H. McKnight,
American Legation,
Peking, China.

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[12-28-12]

THIS AGREEMENT made between Messrs. J. P. Morgan & Company, Messrs. Kuhn, Loeb & Company, The First National Bank, and the National City Bank, all of New York, Constituting

"THE AMERICAN GROUP", of the one part

AND

THE PROVISIONAL GOVERNMENT OF CHINA, acting through its Minister of Foreign Affairs, and CH'ING HUA COLLEGE, acting through its Director, of the other part, WITNESSETH, as follows:-

WHEREAS the Provisional Government of China wishes to borrow from The American Group certain funds to be used in payment of salaries due the teaching staff of Ch'ing Hua College in Peking, to meet the general maintenance expenses of the said College, and for the support and maintenance of Chinese students in America, pending the resumption of payments from that portion of the Boxer Indemnity returned to China by the United States Government; THEREFORE the following AGREEMENT is made:-

ARTICLE I.

The American Group hereby agrees to loan to the Provisional Government of China, solely for the purposes mentioned in the preamble, and the Provisional Government of China hereby agrees to borrow from The American Group, a sum not exceeding Thirty Thousand Dollars ($30,000.00) United States currency per month, until the total amount of Two Hundred Thousand Dollars ($200,000.00) United States currency has been borrowed or until, by reason of the resumption of payment of that portion of the Boxer Indemnity returned to China by the United States Government the necessity for further borrowings for the purposes mentioned does not exist, whichever shall first happen. Unless otherwise agreed the monthly total to be borrowed as above mentioned is to be paid on the first of each month in

two lots - one of Twenty Thousand Dollars ($20,000.00) U. S. Currency, to be deposited in a bank in Washington, D. C., U. S. A. (to be designated by the Chinese Government) to the order of a person or persons, also to be designated by the Chinese Government, for the use of the Chinese Indemnity Fund Educational Mission in America; the other of the equivalent of Ten Thousand Dollars ($10,000.00) U. S. Currency in local Peking currency at the exchange of the day to be deposited in the International Banking Corporation Peking, China to the order of Ch'ing Hua College.

ARTICLE II.

The proceeds of the loan or loans contemplated under this agreement shall be used only for payment of salaries of the teaching staff of the said Ch'ing Hua College in Peking, for meeting general maintenance expenses of the said College and for the support in America, pending the resumption of payments from that portion of the Boxer Indemnity returned to China by the United States Government, of students of the Chinese Indemnity Fund Educational Mission; and for no other purpose except with the explicit consent of the lenders. In order that the American Group may be able to establish at any time the fact that the funds of this loan or these loans have not been used for other purposes than those specified, the Provisional Government of China and the Ch'ing Hua College agree with the American Group to submit whenever required by the American Group pay-rolls or vouchers of payments made or to be made.

ARTICLE III.

The loan or loans contemplated under this agreement are hereby secured by a lien upon that portion of the Boxer Indemnity, and its ar-

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years, to be returned to China by the United States Government, and the Provisional Government of China and the Ch'ing Hua College agree to repay the loan or loans contemplated under this agreement with interest accrued to the date of repayment from the first proceeds of such returned indemnity, subject only to prior payment to the International Banking Corporation on account of a loan or loans which have been made by the International Banking Corporation to Ch'ing Hua College and for the support of Chinese students in America during the present year, 1912. The loan or loans under this agreement shall also constitute a direct liability and obligation of the Provisional Government of China, or of its successor, which hereby pledges its good faith and credit for the punctual payment of the principal and interest of the loan or loans and for the performance of all the undertakings on its part herein assumed, and which will, in the event of the failure of the return to China by the United States Government of a sufficient portion of the Boxer Indemnity within one year of the date of this agreement to repay the loan or loans, pay them together with accrued interest from other funds then to be assigned.

ARTICLE IV.

The Provisional Government of China, acting through its Minister of Foreign Affairs, agrees to hand to the representative of the American Group in Peking on the first day of each month (or on the day of payment by the American Group of the monthly loans, if another date than the first of each month is arranged) a note of the Provisional Government of China, signed by the Minister of Foreign Affairs, in a form similar to the model attached and for an amount, in U. S. Currency, equal to the total payments made or to be made on that day by the American Group as

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arranged in Article I, and agrees that these notes shall be paid, with accrued interest, from the first proceeds of the returned Boxer Indemnity, or out of other funds as is provided in Article III., either in gold in America or in silver in Peking at a rate which, at the exchange of the day, will yield the proper equivalent in gold in America, the American Group being given due notice in advance of when and where payment will be made; interest on these notes to be computed from the date of each note at the rate of six per cent. (6%) per annum, compounded at the end of each six months (if any of the notes should run longer than six months). These notes to evidence the several advances or loans made under this contract, and their payment is secured hereby.

ARTICLE V.

The Provisional Government of China and the Ch'ing Hua College agree hereby that no further loans will be negotiated or consummated for the purposes covered by this loan agreement or for the uses of Ch'ing Hua College or of the Chinese Indemnity Fund Educational Mission in America during the life of this loan agreement unless application is first made in writing to the American Group through Messrs. J. P. Morgan & Company in New York or through their representative in Peking, and the American Group are hereby given a preference upon equal terms for any such further loans. The life of this loan agreement, for purposes of this Article, is mutually agreed to be until all loans made or to be made under it have been repaid, with interest, in full.

ARTICLE VI.

The Provisional Government of China engages upon the conclusion of this loan agreement to communicate it officially by its Foreign Office

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CITY OF NEW YORK, } s.s.
COUNTY OF NEW YORK }

Page 5.

On this twenty-eighth day of December, 1912, personally appeared before me A. W. Fiedler, who made oath that he has compared the foregoing copy of agreement between THE AMERICAN GROUP, and THE PROVISIONAL GOVERNMENT OF CHINA and CH'ING HUA COLLEGE, and certifies that same is a true and correct copy of the original filed in Peking.

S. Pegram
Notary Public

to the American Minister in Peking; and further agrees to notify at once the Department of State in Washington, through the Chinese Minister to the United States, of the consummation of the agreement and to notify officially to the American Group either through the Department of State in Washington or through the Chinese Minister to the United States the name of the person or persons who shall be responsible for the payments made, for account of the Chinese Indemnity Fund Educational Mission, in Washington.

ARTICLE VII.

This Agreement is executed in quadruplicate in English, one copy to be retained by the Director of the Ch'ing Hua College, one copy by the Minister of Foreign Affairs of the Provisional Government of China, one copy by the American Minister in Peking and one copy by the American Group.

Signed at Peking by the contracting parties this
..26th.....day of November, 1912.

THE PROVISIONAL GOVERNMENT OF CHINA

(signed) Pauyuen Wu
Witness as to

(signed) J. R. Loutsengtsiang (Seal)
Minister of Foreign Affairs.

CH'ING HUA COLLEGE

(signed) Chas. V. Bennett
Witness as to

(signed) Tong Kaison
Director.

For
J. P. MORGAN & COMPANY
KUHN, LOEB & COMPANY,
THE FIRST NATIONAL BANK,
THE NATIONAL CITY BANK,
OF NEW YORK
CONSTITUTING
"THE AMERICAN GROUP"

(signed) T. J. N. Gatrell
Witness as to

(signed) F. H. McKnight
Representative.

January 8th, 1913.

Dear Prather:

Beatrice telle me that you have written to her that you were thinking of resigning on March 4th, and this, together with the letter you wrote me in which you stated that you had considered writing to McAdoo, prompted the telegram of today, advising you to sittite.

There is good reason to believe, I think, that men like yourself, who may be considered professional diplomats, will be retained in the Service, the political appointees placed in the Service by the present Administration being removed, however, to make way for Democrats who have assisted in the recent campaign.

I had some talk with Mrs. Bordy Harriman about this a few weeks ago and at her request wrote a memorandum pointing out the advantages of this course. She took the matter up with one of Mr. Wilson's closest friends and advisers, who approved the idea and handed the memorandum to Mr. Wilson. I have not heard definitely what has happened since them but believe that the suggestion has been found acceptable. It probably would not have been had it been known whence it originated.

No dope at the present time. Will write you again later.

Yours,

His Excellency,
H. Prather Fletcher,
The American Minister,
Santiago, Chile.

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January 8th, 1913.

Dear Excellency:

Your long and much appreciated letter reached us some time ago, but the responsibilities of fatherhood and chronic distaste for letter writing have combined to prevent an earlier reply.

Before telegraphing you with regard to Gourley, I went over your letter again carefully, thinking that perhaps I should find some reference therein to this gentleman. It was the absence of any communication direct from you with regard to him that made me believe that he might not be an entirely reliable citizen and that you had given him a more or less perfunctory letter of introduction. This impression was confirmed by the fact that he told Harjes in Paris that he had called on me here in New York and had been unable to see me because I was ill. This has not fortunately been the case, and as I have been away from the office for only a few days I could not understand his statement. Harjes seemed to be quite interested and I was therefore anxious to give him all the information possible.

You are doubtless wondering what is to happen in March. In this you share the anxiety of most of us, for Mr. Wilson has consistently refrained from talking anything but generalities and has kept his plans very much to himself although I presume that he has a number of advisers who know pretty well what is going on. These gentlemen, however, have also been extremely reticent.

As far as the Service goes, you might be interested to know that some days ago I talked the matter over with Mrs. Bordy Harriman, who asked me to write a memorandum for her, which I did, pointing out the advantages, both to the Administration and to the Service, which might be gained if Mr. Wilson let it be thoroughly understood that he would not undo anything which the present Administration has accomplished towards the creation of a permanent service. To this end it was suggested that he retain in office those Ministers and

Ambassadors (the provision regarding Ambassadors was inserted especially for your benefit) who may justifiably be considered "professional diplomats", having reached their present position by years of conscientious and effective service and through promotion from the various grades of Secretaryships, or from the Consular Service. Mrs. Harriman told me that she had handed this memorandum to one of Mr. Wilson's closest personal friends and advisers; that he had told her that the idea was an excellent one and exactly in line with what he himself had been thinking. The memorandum was handed at once to the President-elect and I believe was well received by him. More than this I cannot tell you, but I should think that the chances were very favorable that Mr. Wilson would act more or less along the lines indicated.

Speculation is, of course, rife as to the probable composition of the Cabinet, but as yet nothing definite is known. Mr. Bryan, it is thought, will probably be Secretary of State. Now aren't you sorry that you did not entertain him when he spent his week in Seoul, instead of shunning him off to the Astor House.. Moral - Lay up your treasures even though it be in a political hell, for you never know when the devil may drive the bandwagon.

We have been down in the country for some time and expect to spend most of the winter there, although we shall probably be in town for a night or two every now and then. As a result we have seen very few people except those who come down to spend Sunday. The Wilsons I have seen several times in Washington but none of them seem to have any idea what they are going to do after March 4th. You doubtless know more about the Departmental dope from Deering and others, than I do. The Longworths are having their last days in Washington and their future plans seem to be quite a problem. They, too, seem to be entirely at sea as to what they are going to do. T. R. is contemplating a series of auto-biographical articles in "The Outlook", and told me the other day that he was going to publish a letter which he received from the Japanese Government asking him to intervene in the Russo-Japanese War. He

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did not say by whom the letter had been written but I am rather under the impression that it was our old friend Kaneko and not the Embassy. In any case, publication of such a document might have raised quite a row. I spoke to Ethel about it a few days ago and she took it up with her father, to whom it seemdd the thought that such a thing might be indiscreet had never occurred. As a result, I am glad to say, he decided to write to Baron Chinda and ask him if he had any objection to the publication of the letter. Probably therefore nothing further will be heard about it. It seems unfortunate anyway that the Colonel should start on this auto-biographical work for it is impossible to prevent the impression that a man who is willing to write the history of his life considers that his work is more or less over, and there is a pretty general tendency, in certain quarters at least, to say that Mr. Roosevelt is politically dead, so that any contributory evidence which he might furnish will certainly be seized upon.

We wish very much that we could visit you in Rio but I am afraid that the trip is too long a one to be possible at present, for although I have not very much to do here that very fact makes me more than anxious to do what is to be done.

With much love from us both,

Yours,

His Excellency,
Edwin Morgan,
The American Ambassador,
Rio de Janeiro,
Brazil.

January 9th, 1913.

Dear Frank:

Your letters of November 25th and December 13th were both very welcome and very much appreciated. I have just been looking over the copies of my letters to you and find that many of the points which you raise have already been touched upon in the letters which have crossed those from you under acknowledgment. In fact I have been somewhat startled by the simultaneousness, if one may be allowed to coin a word, with which certain impressions strike us even though we be separated by 11,000 miles of Siberian waste and the cold gray ocean. It seems hardly necessary to refer to each of these communications, for, as far as I can make out, we are practically in accord all along the line, as regards the Six Power combination and the necessity for the American Group to retain its position therein, and as regards the desirability of watching Sun's Railway scheme, and not turning it flatly down with the idea that some day something may develop therefrom.

To all that you say of poor old Hillier and his consummate inability to grasp the other man's point of view in conducting negotiations and his appetite for camels and his distaste for gnats, I agree, and you will remember, no doubt, some of the letters which I wrote to you on this subject when our positions were reversed.

I am sorry you feel as you do about Rea because I really cannot believe that your judgment is correct and believe that if you could sit down and talk to him for a few hours, or rather let him talk to you as he probably would insist upon doing, you would discover that while he may be bull-headed about certain things he is really a very simple and honest person.

As regards your opinion on the ultimate state of China and the fact that the apple cart is being driven rapidly hell bent, I quite agree

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with you as to your premises. One cannot, however, in the light of history, for a long time retain too glommy a view, no matter how black the situation may appear on many occasions. After all, one has heard the same thing for years past. It is of course possible that those who have prophesied an evil end are now witnessing the fulfilment of their auguries and that the debacle which they had anticipated is due to take place. On the other hand, it is also possible, and I myself am inclined to the latter view, despite the feigned statements to the contrary, that there has really been an improvement in the past ten years, and that notwithstanding discouragements this improvement will continue, though progress may be very slow and set backs very frequent.

However, I can quite appreciate your outlook and Dorothy and I often think of you and of the situation you are up against. I shall never forget the month that I spent while the Currency Loan negotiations were going on and when at the same time my heart was far away and pretty well stamped on at that. The recollection is still full of horror, and I use the word not lightly but advisedly, as a nightmare, and I feel even now, as I look back upon it that I could never go through such a time again, that I would rather run and stick my head into a snow bank, following the proverbial policy of the ostrich, but preferring snow to sand, as being better for the hair and face, and also because sand would under the circumstances somehow seem to be most inappropriate.

We have often thought, too, of how full of recollection these last months must have been for you and we had hoped that no matter how unpleasant and difficult your work might be you might welcome it because of the mere fact that it kept you occupied in a field which is far away from the memories that must ever be before you. There are certain vital things in life which we all understand and which in a way must be taken for granted. The understanding is really the basis for one's relations with one's friends but some times the petty incidents of every day get piled up like wastepaper

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and one needs to get up and kick a little bit in order to realize that the floor is still there. That is why I have always felt that the personal touch is so important that it is only by keeping the personal point of view ever in mind that one can properly understand the more formal and official things which people are attempting to do. However, I had no intention of moralizing.

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F. H. McKnight,
American Legation,
Peking, China.

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January 14th, 1913.

The Provisional Government of China promises to pay through its Board of Finance to J. P. Morgan & Co. (for the American Group), or order, from the first proceeds of indemnity payments returned by the United States of America, or, in any case, before January 14th, 1914, the sum of One hundred eighty five thousand Dollars, ($185,000.00) U. S. Currency, with interest at the rate of six per cent (6%) per annum from the date hereof, compounded semi-annually, this note being given under an agreement entered into on the 14th day of January, 1913 between "The American Group" on the one part, and the Provisional Government of China and Ch'ing Hua College, on the other.

(45) 周學熙

Minister of Finance.

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THIS AGREEMENT made between Messrs. J. P. Morgan & Company, Messrs. Kuhn, Loeb & Company, The First National Bank, and the National City Bank, all of New York, constituting

"THE AMERICAN GROUP", of the one part

AND

THE PROVISIONAL GOVERNMENT OF CHINA, acting through its Minister of Finance, and CH'ING HUA COLLEGE, acting through its Director, of the other part, WITNESSETH, as follows:-

WHEREAS the Provisional Government of China wishes to borrow certain funds to be used for repayment with interest to January 18th, 1913 of a loan for $156,000.00 U.S.Currency from the International Banking Corporation, New York, and for repayment with interest to January 15th, 1913 of a loan for 30,000 Kungfa taels from the International Banking Corporation, Peking:

THEREFORE the following AGREEMENT is made:-

ARTICLE I.

The American Group hereby agrees to loan to the Provisional Government of China, solely for the purposes mentioned in the preamble, and the Provisional Government of China hereby agrees to borrow from The American Group, the sum of one hundred eighty-five thousand dollars ($185,000.00) United States currency, the entire amount to be paid on January 14th, 1913 into the International Banking Corporation, New York for account of the Provisional Government of China and to the order of T. T. Wong, superintendent of the Chinese Indemnity Fund students in America.

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ARTICLE II.

This loan is hereby secured by a lien upon that portion of the Boxer Indemnity, and its arrears, to be returned to China by the United States Government, and the Provisional Government of China and the Ch'ing Hua College agree to repay the loan or loans contemplated under this agreement with interest accrued to the date of repayment from the first proceeds of such returned indemnity, subject only to prior repayment to "The American Group" of certain loans or advances made under an agreement entered into on November 26th, 1912 between "The American Group" and the Provisional Government of China and Ch'ing Hua College. This present loan shall also constitute a direct liability and obligation of the Provisional Government of China, or of its successor, which hereby pledges its good faith and credit for the punctual payment of the principal and interest of the loan and for the performance of all the undertakings on its part herein assumed, and which, in the event of the failure of the return to China by the United States Government before January 14th, 1914 of a sufficient portion of the Boxer Indemnity to repay this loan with interest accrued, undertakes then to pay it together with accrued interest from other funds.

ARTICLE III.

The Provisional Government of China, acting through its Minister of Finance, agrees to hand to the representative of the American Group in Peking on January 14th, 1913 a note of the Provisional Government of China, signed by the Minister of Finance, in a form similar to the model attached and for the amount of $165,000.00 in U. S. Currency, equal to the total payment made or to be made in New York on that day by the American Group as arranged in Article I, and agrees that this note shall be paid in New York, with accrued interest, from the first proceeds of the returned Boxer Indemnity, or out of other funds as is provided in Article II, the American Group being given due notice in advance of when payment will be made. It is agreed that interest on the said

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note will be computed from its date at the rate of six per cent. (6%) per annum, compounded at the end of each six months (if the loan should not be repaid before the expiration of six months); the note is to evidence the loan made under this contract, and its payment is secured hereby.

ARTICLE IV.

In order that the American Group may be able to establish at any time the fact that the funds of this loan have not been used for other purposes than those specified, the Provisional Government of China and the Ch'ing Hua College agree with the American Group to submit whenever required by the American Group vouchers of payments made or to be made.

ARTICLE V.

All expenses of any kind which "The American Group" may incur in connection with this business, shall be repaid to "The American Group" either from the proceeds of the loan by deduction from the amounts deposited in the bank to the credit of the Provisional Government of China, or, at the option of "The American Group", by Ch'ing Hua College upon presentation of a statement of such charges.

ARTICLE VI.

The Provisional Government of China engages upon the conclusion of this loan agreement to communicate it officially by its Foreign Office to the American Minister in Peking; and further agrees to notify at once the Department of State in Washington, through the Chinese Minister to the United States, of the consummation of the agreement and to notify officially to the American Group either through the Department of State in Washington or through

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the Chinese Minister to the United States the name of the person or persons authorised to withdraw loan funds deposited in New York to the order of the Provisional Government of China as provided in Article I. of this agreement.

ARTICLE VII.

This Agreement is executed in quadruplicate in English, one copy to be retained by the Director of the Ch'ing Hua College, one copy by the Minister of Finance of the Provisional Government of China, one copy by the American Minister in Peking and one copy by the American Group.

Signed at Peking by the contracting parties this

...14th....day of January, 1913.

THE PROVISIONAL GOVERNMENT OF CHINA.

(Signed) .....Tong Kaisun...
Witness as to

(Signature and seal of ChouHsuehHsi)
.....
Minister of Finance.

CH'ING HUA COLLEGE.

(signed) .....Chas. J. Bennett.
Witness as to

(signed) .....Tong Kaisun.....
Director.

For
J. P. MORGAN & COMPANY
KUHN, LOEB & COMPANY,
THE FIRST NATIONAL BANK,
THE NATIONAL CITY BANK,
OF NEW YORK
CONSTITUTING
"THE AMERICAN GROUP"

(signed) .....D.A.Mongeal.
as to

(signed)
F. H. McKnight.
Representative

I hereby certify that the above is a true copy of the original Agreement on file in the American Legation.

Peking, January 16, 1913

G. F. Summerlin
Second Secretary of Legation.

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Jan. 21, 1913.

Dear Frank:

Your letter of December 21st received. Again our minds seem to have doubly crossed. I question, however, your premise that our Government would continue to support the American Group with the idea of securing a sufficient stake in China to enable us to have a strong say should the break-up come. Mr. Know may have had that notion in the back of his head but from what Mr. Woodrow Wilson has remarked in the course of the past few months I should doubt his taking a similar view. However he might do so - one can never say.

As regards the international Banking Corporation, is it not possible that one of the reasons why American trade has not increased more rapidly has been because of the lack of adequate banking facilities and accommodation? This is just a query. There seems to be nothing imminent with regard to this matter just at present.

Dennison is sailing today. We had a long talk last night and I think he is very well satisfied with the way the Currency Loan situation has been handled. I quite agree with you that the time may not be very distant when our best chance for successful and profitable business in China will be to work more or less along the lines of combining our financial strength with the political influence of Japan.

The latest developments of the loan situation are very disheartening. I am glad, however, that it is the German and French Groups, and not ourselves, who are holding matters up at this critical stage. The beautiful part is that everybody seems to think it quite natural or right that they should be recalcitrant, while the slightest disposition to stiffen our necks is at once resented.

With best wishes,

Yours,

F.H. McKnight,
American Legation,

KUHN, LOEB & CO.

William and Pine Streets,

New York, January 23rd, 1913

Dear Mr. Straight:-

Thank you for your message of sympathy on the death of my dear friend Mr. Status Quo.

I do not know at all whether the deceased gentleman was so close to me, but, knowing your temperament, I am sure any status quo must be an enemy of yours, and I therefore congratulate you upon my loss.

Very sincerely yours,

Willard D. Straight, Esq.,
C/o Messrs. J. P. Morgan & Co.,
23 Wall Street, City.

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January 26, 1913.

Dear Mr. Secretary:-

It is rather difficult, without knowing the exact nature of the communication received by you from the American Minister in Havana, to know of the points in connection therewith which you desired cleared up. I trust, therefore, that under the circumstances you will pardon this somewhat informal letter on the subject.

The original scheme was that the Cuban Government was to issue approximately $3,000,000. in Notes. These Notes were to be issued at the rate of about $300,000. per month to supplement the 10% of the Havana customs, amounting roughly to $140,000. per month. The customs returns and these Notes were to be paid over to the contractors whose work is now progressing at the rate of about $450,000. per month. It was proposed that these Notes should bear 6% interest and that a triangular agreement should be prepared between the Cuban Government, the contractors and the bankers, under which, the bankers were to accept from the contractors the notes issued to them by the Cuban Government.

This arrangement was found to be impracticable, as Notes of the character contemplated were not acceptable to the Bankers.

When I had the honor to call upon you in Washington, after having discussed this question with Mr. Ferrara, the Speaker

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of the Cuban House of Representatives, I acquainted you with the fact that Mr. Ferrara hoped that some plan might be evolved which would enable Cuba to supplement the 10% of the Havana customs revenue allocated to the Paving Contract so as to enable the Government to finance work at the rate of about $450,000. per month.

The scheme now contemplated is substantially, as follows: The Bankers are to engage to take up monthly issues of 6% Notes to a maximum of $1,500,000. These Notes are to be issued at the rate of about $300,000. per month to supplement the $140,000. derived from the 10% of the Havana customs. They are to be secured upon this 10% of the Havana customs receipts, but are to be without any fixed term. We are advised that there is no question as to the legality of this issue. At the present rate at which the work on the sewerage and paving contract is proceeding, the proceeds of these Notes will furnish money sufficient, together with the 10% of the Havana customs, to finance the contract for a period of approximately five months.

In entering into an agreement with the contractors and the Bankers for this Note issue, the Cuban Government is to engage to endeavor without delay to obtain from the Cuban Congress authority to issue $3,000,000. in Notes. If this authority is granted the proceeds of such notes will be utilized in the first instance to retire the Notes already issued under the triangular agreement for the issue of $1,500,000. The balance of the proceeds of the $3,000,000. issue would be utilized to supplement the 10%

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of the Havana customs up to the completion of the contract, the amount of these Notes, $3,000,000. being the sum contemplated by the original scheme.

These Notes would probably be for a four or five year term. At the present rate of progress it is estimated that the contract for the sewerage and paving should be completed in two years. The total of the 10% of the Havana customs during this period should amount to approximately $3,400,000. which, with the Note issue of $3,000,000., would give a total of approximately $6,400,000. an amount estimated to be sufficient to cover the balance of the contract, and to meet interest on the Notes issued during this period. Upon the completion of the contract the 10% of the Havana customs would be utilized to retire the Note issue.

In case Congress should not give the authority requested for this Note issue of $3,000,000. the work would continue under the arrangement for the Note issue of $1,500,000. up to the time that this maximum had been reached, after which the 10% of the Havana customs would be utilized for retiring these Notes, being freed for the continuation of the work, upon the completion of such retirement. In other words, should the Cuban Congress fail to give the required authority, the result would be that work to the value of about $2,200,000. (i.e. $700,000. from the 10% of the customs dues, plus $1,500,000. from the Notes) would have been done in five months instead of in sixteen months (i.e. at the rate of $140,000. per month) for unless funds are immediately available to supplement the allocated 10% of the Havana customs

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the Cubans assert that it will be impossible for them to finance this contract except by the monthly payment of the 10% of the customs dues.

We are also advised that the Cuban Government desires to obtain from Congress authority to make a note issue of $4,000,000. with which to liquidate the floating indebtedness of the Government. These Notes would be payable at the rate of $1,000,000. per annum during four years and would be based on no specific security save the guarantee of the Cuban Government. It is our understanding, however, that this note issue, though contemplated in connection with the issue of the $3,000,000. in notes now under discussion, would be covered by a separate contract.

If there are any additional points which you wish to discuss, or if this letter does not furnish the information which you have desired, I shall greatly appreciate it if you will advise me by telegraph, in which case I shall be glad to come to Washington at once and hope that you would be good enough to see me on Tuesday morning.

Yours very respectfully,

Honorable Philander C. Knox,
Secretary of State,
Washington, D. C.

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January 30, 1913.

Dear Frank:

Very many thanks for your letter of the 29th ultimo. I shall keep Bennett in mind and hope that I may be able to give you authority to increase his salary as you suggest. I quite appreciate your attitude regarding Catrell, and think your suggestion with regard to giving him a bonus a most excellent one.

It is impossible for me to understand how Hillier should have allowed Donald to retain the impression that the Groups would have been willing to pay 95 for a Chinese bond at the present time. If Hillier did so it would seem to me a great mistake, for such an announcement in connection with the statement of our side of the case would do much to prejudice a fair minded reader against all arguments, so many of which would really be in our favor.

I quite understand what you have to say about industrial loans, but I assure you I have not been influenced by Bland's visit. I can quite appreciate that loans secured by tangible property with a certain foreign share in the operation of the enterprises might be attractive, but it would seem to me the trouble would be that once these enterprises become profitable our Chinese friends, as has been the case, I understand, with the Chinghsing Mines, and one or two other enterprises, would make so much trouble that the foreign interests would become disgusted. However, let that go until the case arises.

Davie has turned over to me your letter of the 26th of December regarding your talks with Odagiri. Your communication is most interesting. It seems to me that there is a great deal in what you suggest; certainly any proposition of this sort would be worthy of the most careful consideration, and I am not at all sure but that the solution of the China difficulty, which will ultimately be most satisfactory to us, will be some sort of a tie-up with the Japanese.

F.H. McKnight Yours,

February 11th, 1913.

Dear George:

Your cable from Singapore came as a great relief, for we had wondered where you were and what you were doing. I should have written you before to Paris had not this loan situation been so tangled as to keep me on the jump when in the office and when away from a stenographer I find that it no longer seems possible for me to write any letters at all. We speak of you constantly and hope that your sea trip has done you a world of good and that your health is sufficiently restored to enable you to greet Paris with that abandon, and what we Americans call "punch", which is so necessary in your gay city. We also hope that for some reason or another - what, we leave you to discover - you will soon be able to come to this country for we have not at the present time any intention of going abroad and there is so much to say that no typewriter that I know can adequately cover the necessary ground.

This is really not a letter. I shall promise to write one later. What I would like to know now, however, is what the devil has become of de Margerie, for with his clear head and sympathetic understanding of the Peking situation it has been a loss to me to understand the game that your Government seems to have been playing.

As you very well know, I have quite appreciated the suspicion and apprehension entertained by your people with regard to American policy in the Far East. As you know also, I have always felt that this attitude was unwarranted by the real facts, although I have quite understood that it was to Russia's interest to stir up trouble and to the interest of France, perhaps, to appear to be terribly indignant at certain times at what it was asserted we Americans were trying to do. We have, however, done our best. We have tried to play in your yard and to welcome to our bosoms your Moscovite friends. Despite this, there has been a feeling here that a game has been

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organized with the intention of driving us out of the Six Group combination and grabbing as much as possible any influence which we might have in China. The sudden refusal of your Government to permit internationalization of the bonds, and the introduction of all this flub-dub about advisers at the last minute, it being assumed apparently on the basis of fitness, irrespective of nationality, meant that we ourselves would make no claim for an adviser no matter whether all the interested powers did so or not, has seemed to us directed against the United States. I certainly hope that these indications cannot be interpreted in the way suggested above but that some other considerations beside antagonism to the American Group and the American Government have been actuating yourpeople. It would be such a splendid thing for China and for all concerned, if the Six Power Agreement could be perpetuated and China really more or less neutralized. By China I do not necessarily mean Manchuria and Mongolia.

I am sure that you yourself feel the same way and I should like very much to hear from you as to how you diagnose the present situation.

More than that, we both of us are very anxious to know how you are and what you are doing. With much love,

Yours,

M. Casenave,
Paris, France.

February 24th, 1913.

My dear George:

It was the very greatest of pleasure to get your letter this morning This prompt reply is in evidence of my joy.

It has been very difficult for us at this end to understand exactly what you people in Paris were up to, though we assume that in view of the Balkan mix-up your Government, as well as the people in London, felt it necessary to do more or less what Russia wanted you to do. All that you say about the position of your Foreign Office is most interesting and very much appreciated. We were very much disappointed when your Group felt obliged to cancel the agreement made at the time of the London conference with regard to internationalization, and were a little inclined to fear that this step had been taken at Russia's suggestion, more or less with the idea of making it disagreeable for us. I am especially glad therefore to note that it has been due to the personal policy of your Minister of Finance, while de Margerie and Berthelot still favor a broader view.

The fact that Russia's hand has been so clearly shown throughout these last few weeks has made it very difficult for us in this country. As you know, there have during the last year and especially during the last few months, been violent attacks on Messrs. J. P. Morgan & Co. instigated, I rather imagine, primarily by jealousy, and also by resentment in certain quarters caused by the refusal of this firm and its associates to tolerate certain dirty deals which other people were trying to put through. Nevertheless, the effect upon the public mind has been very marked. This fact, combined with the popular belief that Russia and Japan proposed to gobble up China, as well as the popular demand that the United States should recognize the Sister Republic, coupled with the fact that none of us know what the position of the next administration is going to be, makes our whole position a very difficult one. Had the Loan Agreement been signed at the end of

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January or the commencement of February we would have been able to issue our entire share at once, but the political obstacles which have since been raised and the delay which they have occasioned, have in the first place, had a bad effect on public opinion, and, in the second, forced us to miss what was a very good market, because the Mexican revolution and the undertainty due to the approaching change of administration here have made investors very apprehensive. What will be the outcome I do not know, but we can only hope for the best.

As you will understand, our position is very different from yours in Europe; for example, in case the loan agreement had been signed and an advance made if there should suddenly be some political crisis it would affect all of your markets in much the same way and enable you, by invoking the force majeure clause, to delay your issue. We on the contrary, are in a very different position, for while we would be affected by a European crisis, you might not be concerned by the row in Mexico, which would make it impossible for us to issue at a time when you yourselves were quite prepared to go ahead. We could not expect you to wait for us; at the same time it would be difficult, and for that matter impossible, under the terms of the present Six Group Agreement, for us, once the Agreement had been signed, either to ask you to issue for us or to invoke the force majeure clause ourselves. As a matter of fact, the terms of the Six Group Agreement should be changed to meet just this emergency. However, even signature still seems to be far off, and further speculation I presume is useless.

I shall take up the question of the Philippines at once, as it seems to me it might be possible for us to come to some very profitable agreement. A new concern has just been started here in New York called the American Philippine Company, as a parent company, with the idea of forming subsidiary concerns to take up the development of various enterprises. In this business I have taken a small interest, and I will look into it a little further and

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see if there is anything that can be done.

I wish more than anything else that we could see you, as there are many questions which we both want to ask, but more than that we want to see you yourself and introduce you to the new member of the family. We will send you a letter to Mrs. Paget, who is now on the Riviera. Be good.

Yours,

George Casenave, Esq.,
87 Avenue Malakoff,
Paris, France.

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February 24th, 1913.

Dear Frank:

During the past weeks you must have been having the devil's own time but do not sit in the green chair in front of the old temple fire-place and pat yourself on the back with the idea that your troubles are all your own, for, let me tell you, we have been having a few difficulties of our own and from the looks of the barometer I should say that we were still in for a spell of stormy weather.

As you have so aptly pointed out in your telegrams the whole situation has been tied up because our British friends have found it necessary to take a stand with France, and they both in turn, with the German bogey ever in front of them, have had to dance to the Russian tune. All this pretty politics is beyond our prodding sphere but we have caught the come back. If the agreement had been signed on the 4th of February and issue made the following week, as it was hoped might have been the case, we could have planned our entire share despite the fact that our Continental friends refused us internationalization but no sooner had we made our arrangements to sub-syndicate the issue than young Diaz blew off the lid in Mexico, which knocked the spots out of the market here. In the meantime, while the political game is going on in Europe everyone is getting cold feet which I believe is a common malady about the time of a change of administration.

No one knows what Mr. Wilson is going to do. Two articles of his which appeared in the "World's Work", and a compilation of his campaign speeches which has recently been published, are so general as to be somewhat terrifying. The fear seems to be that while his intentions may be perfectly good his practical experience is limited and that his knowledge of business conditions, if he has very much appreciation thereof, has been received principally from prejudiced parties. He also has the reputation of being a very obstinate and determined man and one, therefore, who would be apt, once he

had made up his mind, to carry through any policy, being quite deaf in the meantime to the representations of those who wished to point out the merits of the other side.

In the Group there has been a good deal of uneasiness, and our friends at William and Pine Streets have been literally shaking with apprehension. As you know probably, having tangled things up pretty well they withdrew from the Group in June last, getting on the bandwagon again the following day. The same thing happened again at the end of December, when the question of the £2,000,000 advance during January came up, and now they are bringing forth all manner of arguments in support of their contention that the American Group ought to withdraw entirely from the Six Power combination. They are not even content to insist that we should not issue our share. First they argue that the new Administration will not support us, and when told that it might be better to wait and see, they promptly reply that one of the things they are afraid of is that the new Administration might ask us to go on.

In a rather warm meeting on Friday, I very much regret to say that I became so exercised that I suggested to Mr. Warburg, who had used a regular rapid fire of arguments, many of which were mutually inconsistent, that it seemed that it didn't make very much difference on what grounds the Group withdrew as long as it got out. This was not graciously received. J. P. Morgan, Jr. and H. P. Davison have shown wonderful control throughout, although I imagine that they are pretty much disgusted. It is unfortunate that all this should come on at a time when they have been hounded by Mr. Untermyer, and company, about the Money Trust, and damned by Hearst and his mud-slingers about the subway. We heard as children that the crowned head rested uneasily, but I will wager that there are few kinks and quinks who have a more difficult time than the active partners in J. P. Morgan & Company at this particular moment.

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In the meantime we are waiting for developments and I personally am praying that everything may work out, although at present it looks pretty black. This is of course just between you and myself, but I thought that perhaps you would like to have some inkling of what was going on.

With best wishes,

Yours,

F. H. MCKnight, Esq.,
American Legation,
Peking, China.

February 26, 1913.

Dear Prather:

The Buds are budding on the trees and the warbling birds once more swell their throats in song. Despite this fact the Fourth of March is nigh, and the spring "bored" is the best plank in the Democratic platform, so that perhaps you will be getting yours before this letter reaches you. As a matter of fact until one knows what is going to happen there seems little use in writing at all. This, therefore, is merely to tell you that I saw your friend Dewey the other day, and would suggest that in the future, when you send facetious letters of introduction by the hands of persons who might desire to do business, it might be wise for you, and for them, if you would give me a little line on the side as to whether you wished me to take these persons seriously or not.

George is still flittering around the Balkan candle and I have heard nothing from him for some time. Blando has departed hence. Just between you and me, I became considerably fed up with him during his stay and I fear that he did not make a general hit, as he was inclined to be a little too arrogant and over-bearing with his same old fault of trying to be funny all the time. I fear that we did not take him too seriously, which seemed to have offended his sensitive soul. Beatrice has been doing the Caribbean Sea but will be back again on Saturday, Last night I met a friend of yours named Garrison. He spoke of your bridge playing with envy and of your special pickled profanity with admiration.

The dope seems to be William Jennings Bryan will be Secretary of State. You will know long before you get this.

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Our Chinese loan business still wiggles on. It seems to be interminable, but I suppose that some day we shall find that the problem has at last been solved and the agreement signed. The Chinese in any case must have the money and I suppose in the end they will come back to the captain's counter.

You should have had several letters from me which are not answered. Therefore I will not write any more. Be good!

Yours,

His Excellency,
H. Prather Fletcher,
The American Minister,
Santiago, Chile.

February 28th, 1913.

My dear Thomas:

Very many thanks for your letter of January 7th and for the enclosed copy of the letter addressed by Millard to Mr. Crane. I turned your letter over to Davison who read it with much interest. I am very glad to have your views on the situation, especially to learn what you think about the opium problem.

As you have doubtless gathered from the papers, our loan negotiations have been dragging along interminably, due very largely to the introduction of politics by our European friends. Although Addis has been annoying in the extreme, I am not at all sure if it is not better to have had these questions pop up now than to have had them come up later. As you very well know, there have been, ever since the Russo-Japanese War, certain underlying political facts which most of us have tried in one way or another either to ignore or to escape. As far as I am aware, facts and debts are about the only thing I know of which one cannot escape with any great satisfaction. Like the chickens in the story, they always come home to roost and it is a good deal better to get a place for them, which you can figure they are going to occupy, than it is to have them squawking inwhen all the other birds have gone to sleep. After a good many months of negotiations it looks to me as if we had found out pretty well what our Russian and Japanese friends were after, and as if we had reached the point where we could give them a certain measure of recognition without really impairing China's true interests.

I had considerable talk with Dennison when he was here and, as far as I can make out, Japan wants to do nothing further in Manchuria, for the present at any rate, nor will she do so unless frightened into it by some well intentioned, but politically untimely, action by the Government of the United States. Our experience with the neutralization scheme and the Chinchou-Aigun railway has made me feel that we had better go slow unless we have in this country a market which is capable itself of absorbing a great

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mass of Chinese bonds - it is not now the case - and unless this financial factor be dealt with by an intelligent Department of State, acting under the direction of an Executive who knows how and when to make use of the naval forces of the United States.

Of course we none of us know what the policy of the incoming Administration will be but one thing seems to be certain - that is, that Mr. Wilson will not be open to the political pressure which has heretofore enabled the various Senators and Congressmen to exert a good deal of influence on the Administration. It looks as if the President-elect would do pretty well as he chose and your suggestion that we get busy and see that we get a good man as Minister to China makes me smile. I cannot imagine anything which would be more likely to queer any desirable candidate, and at the same time embarass us, as would our attempting to influence the State Department in this matter.

Things of that sort come very much better from merchants like yourself. Bankers, as you know, are at this time under a cloud in this country and anything which we might way, although it might have a good deal of influence, would have influence in the wrong way.

Thank you for your good wishes, which we heartily reciprocate. Write me again. It is always a great pleasure to hear from you.

Yours sincerely,

J. A. Thomas, Esq.,
22 Museum Road,
Shanghai, China.

March 7th, 1913.

Dear Frank:

Very many thanks for your most interesting letter of February 8th. Far be it from me to bring up these little incidents but do you remember one day in your room at the Savoy Hotel when, in discussing the political complications of Chinese business, which I had so long and so persistently emphasized, you remarked that it all reminded you of the man who, seeing the giraffe for the first time, stated that he did not believe there was any such animal. From all that I can gather your experience during the past few months has brought you more face to face with these questions and made of them more practical and important issues than they were even during my experience at Peking.

The first three years of the American Group's participation in this game was really but a preparation for getting down to hard business and political facts which have asserted themselves in the past six months. Your recent telegrams have been extraordinarily interesting. The suggestion that we tie up with the Germans and Japanese, and your intimation this morning that Japan and China were acting together, we have more or less assumed would be the case, in view of Sun Yat Sen's visit to Japan and in view of the increasing intimacy of Russia, France, and England, shown during the recent negotiations in Peking. Your dope has been extremely good and your prophecy that it would probably soon develop that the policies of the triple entente and the triple alliance would be applied to China was most prescient.

As regards our friends Cordes and Hillier. Do not think that we felt that you were unnecessarily concerned. Quite the contrary. The very point which you make was brought out in our discussions here and we quite appreciated that although Addis and the Germans might be speaking very fair in London and Berlin they might be giving Hillier and Cordes secret instructions to knife the rest of us in the back. As you pointed out in your telegram of February 15th, the British and Germans probably would have gone

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ahead had it not been for the protests of Russia and France. As you will readily appreciate, however, it was not a bad plan for us to play up the Peking situation as described by you visavis our European friends. Your messages on this point were repeated to London, with full quotations of our replies.

You are in the thick of the fight, while we merely get the come back. We always judge our fellowmen by what they do and not by what they say. We get the talky talk and you see the performance. On some occasions, however, as you realize, it is more expedient to be blind to certain actions and appear innocently to accept cunning words. This is always the case if there is nothing to be done to oppose actions which, if noted, would force a protest.

Inauguration has come and gone, and we are now in correspondence with Mr. William Jennings Brugn, Secretary of State. Just for your information, I enclose herewith a copy of a letter which we sent to Mr. Bryan and a copy of his telegraphic reply.

Hoping that everything will go well with you, I am,

Yours ever,

F. H. McKnight, Esq.,
American Legation,
Peking, China.

March 7, 1913.

My dear Mr. Warburg:-

Referring to our conversation of this morning, herewith is copy of the memorandum which I trust states your idea, although I am sure you will not agree with the conclusion.

Yours sincerely,

Paul M. Warburg, Esquire,
52 William Street,
New York, N. Y.

Enclosure.

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[3-7-13]

It seems to be generally believed that a diplomatic representative today is a little better than a messenger boy for the Department of State. The Embassies and the most important Legations whose business it is to deal with the international relations of the United States have been conferred as rewards for services rendered in domestic politics. The fact that an Ambassador is paid $17,500 per annum, and a first-class Minister $12,000 have made these posts attractive to certain people who have not perhaps realized that in most foreign Capitals the salaries paid by the American Government are entirely inadequate, and that the American representative in most instances must either use his own means to keep up his diplomatic establishment, or live in a manner which whatever merit it may have for its democratic simplicity is not such as to facilitate the transaction of the business of the office. A doctor, a lawyer, a grocer even, attempts to have suitable premises. A diplomat is doing business of another sort; his success depends upon his being persona grata with the officials of the country to which he is accredited; his ability to establish pleasant personal relations depends to no small measure on his ability to take his part in the life of the capital to which he is appointed.

It has been just as great a mistake to send to foreign posts men whose large fortunes enable them to use their official position as a means to gratify their personal social ambitions, as it has been to send those who, however admirable they may be, have neither the necessary knowledge of the ordinary amenities of life abroad or the income to permit them in the absence of sufficient salary to give to their position the dignity with which it should be clothed.

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Some have desired foreign posts to obtain social preferment, others have considered that it might be "an interesting experience to spend a year or so" in an Embassy or Legation in a foreign Capital, others have desired the salary which such posts pay, little knowing the demands made thereon.

The leaders of a successful political party have been accustomed to select Ambassadors and Ministers not with a view to securing the best men to deal with the diplomatic problems at any particular post, but because they desired to reward their party supporters, and considered that the man who had done the most work should receive the pleasantest post. London perhaps has been an exception to this rule, but the relations of Great Britain and the United States are such, and are so widely ventilated in the public press of both countries that it is perhaps more important to have a dignified and representative American than it is an adroit ambassador - who knows the world and is capable of handlin the very complicated problems of international politics into which the United States is being drawn more and more each year.

There is no question that the records of American diplomatic representatives abroad show splendid achievement by men not trained to diplomacy, in fact, while it is desirable to have a permanent service of secretaries with the assurances that faithful service will be rewarded eventually by at least the minor Legation, it would never be desirable to insist that Embassies and important Legations should be filled by men who had grown up in diplomacy. It is better that the great posts should be given to men who have won distinction at home in dealing with practical affairs. Such men will readily require the technique of diplomacy if they have a well trained staff of Secretaries, while the secretaries themselves too frequently lose sight of the main ends of diplomacy in the red tape and formalities of the means by which these

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ends are attained.

The United States is unique among nations. This country is a great laboratory in which democratic institutions are being tested. It would be better that we should send abroad men who are too democratic and who have not a knowledge of the old world contentions, than that we should appoint as representatives of a democracy men who have lost their American directness and vigor in a mistaken effort to acquire European polish rather than a knowledge of European political conditions. But is there any reason why party considerations should be paramount in the selection of Ambassadors and Ministers who are to represent not a triumphant faction of the American people, but the nation as a whole? Should not men be selected, first, perhaps because they are representative Americans, but certainly because by experience in dealing with larger affairs they are capable of mastering international problems.

Our representatives are not messenger boys. Their success will depend upon their character, their tact, and above all, upon their knowledge of men. They must fundamentally as Americans be democratic, but in dealing with others who do not share their political views they must not, as so many Americans so unfortunately are, be intolerant of the views of others, nor must they, as Americans so frequently are, be blinded because of their own theories, to the political facts by which they will be confronted. They may not agree with, but they must appreciate, the other man's point of view, and they must not be offended by his prejudice.

London is, in certain ways, the easiest post to fill. It requires less technical knowledge, and would be graced by almost any distinguished and representative American. There is less contention in London than there is elsewhere, and a man is more apt to be judged for his intrinsic worth.

In Vienna and Rome there is little real diplomatic work. These posts are interesting, and important points from which to observe the trend of European politics. The success of the Ambassadors at these Capitals depends more than elsewere, save St. Petersburg, upon social grace, culture and knowledge of the world.

Anglo German rivalry is today the dominant factor upon world politics. For some years the Germans have attempted for their own purposes to embroil the United States with England. The task of the Ambassador at Berlin therefore is a difficult one. He should be keenly appreciative of the complexities of the European political situation, and a man who is influenced by fact and not by sentiment.

The power of France in international politics rests primarily upon the investing power of the French public. No foreign loan can be listed in Paris without the consent of the Minister of Foreign Affairs, as well as the Minister of Finance. The French Government regards this investing power as a political weapon even more effective than its army or its fleet.

The present relations between Russia and the United States are bad. The fact that loans floated in New York despite the traditional friendship of Russia for the United S tates, enabled Japan to finance the last stages of her war against Russia, embittered Russian public opinion. The manner in which the Knox neutralization proposals were presented at St. Petersburg, the fact that Mr. Morgan Shuster endeavored to interfere with Russian policy in Persia, and the action of the United States Government with regard to the jewish passports, have all created bad feeling. American action in insisting that Russia should admit Jews with American passports has been particularly objectionable to Russia and considered, because of the inconsistent position of the American Government, (a Mongolian Russian subject with a Russian passport would not be admitted in the United States), as a striking

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evidence of the anti-Russian policy of this country. Owing to the fear of Germany, England and France have found it necessary to dance more or less to the Russian tune. All these facts make it of most vital importance that the Ambassador to St. Petersburg should be a man capable of allaying the friction which now exists. Russia is capable of becoming a great market for American Manufacturers, and it is of the utmost importance that this potential opportunity for American trade should not be lost.

The Japanese post requires a man who, above all, must be sympathetic and courteous, who, on his own part, will be frank and direct, sufficiently adroit to watch for and meet, and at the same time not be irritated by the intrigues of others.

The Peking post is one of the most difficult ones to fill. The Minister must be a man who, while sympathizing with the desire of the Chinese for progress along democratic lines, will not be blinded by his sympathy to the facts of the situation, to the prevalent corruption, to the insincerity and the inefficiency of the Chinese officials. He must recognize the fact that the influence of the United States in China, thanks to the work of the missionaries, and to the fact that so many of the Chinese officials have been educated in America, is largely a moral one. He must appreciate that the European Governments and Japan constantly fear that we will endeavor to capitalize this moral influence to the detriment of their material interests. He must also be on guard lest the Chinese, to serve their own ends, attempt to secure from the United States some expression which will enable them to embroil us with the European nations, thus affording China an opportunity to go her own sweet way because of the jealousy of the foreign Powers. The American Minister, moreover, must realize that he can only serve China's best interests by being scrupulously considerate of the vested rights of

other Powers, and by endeavouring at the same time to further American interests in such manner as to give us an increasing and practical voice in China's affairs.

The Embassy in Turkey has never been of great political importance save as a point from which to view politics of the European Governments. If the United States is to maintain a Monroe Doctrine and support the "open door" in China it would be well for us not to attempt to become involved in the Near Eastern situation.

Central and South America are perhaps our most important diplomatic fields. The Spanish Americans are extraordinarily sensitive. Unless we can send as Ambassadors to Mexico and Brazil, and Ministers to the other countries, men who will by their courtesy and sympathy win the [?] regard of the officials with whom they come in contact, and the respect of these men by their intolerance and chicanery and intrigue, we must rely upon the "big stick" rather than diplomacy to avoid further trouble. These posts require a rare combination of tact and firmness, the absence of either might at any time result in obliging the United States to take some drastic action.

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March 13th, 1913.

Dear Charley:

In an official communication dated September 11th, 1912, we asked you to be good enough to forward to McKnight copies of such correspondence with the other groups, and of cables addressed by you to us and received by you from us, as might be of assistance to him in forming an estimate of this constantly developing situation. We also asked that you be good enough to advise us from time to time of the documents forwarded to McKnight in order that duplication might be avoided.

Of course I realize how terribly rushed you have been and the strain on you yourself and on your office force of these Chinese loan negotiations. This pressure has doubtless caused you to forget the poor devil in Peking but in a letter which I received from him this morning he rather pathetically asked that he might be kept a little better informed. We can of course do it from this end if it will save you bother but in many cases there will be a delay of two weeks or more as far as McKnight is concerned, especially as regards copies of correspondence with the other groups which you forward to us and which we in turn would have to send back across the Atlantic and over Siberia to him. As regards the cables exchanged between London and New York we hope that you might be good enough to also send these on to Peking, thus saving the week required for transmission from New York to the continent.

As matters now stand the whole game may be stopped before this letter reached you, for Davy and Paul Warburg saw Mr. Bryan on Monday and had a long talk with him. The new Administration was asked almost brutally to declare its position and were told that in view of all the difficulties of these negotiations and the general thanklessness of the job we would probably not go on unless requested to do so by the Administration. They were also advised that even though the Administration might request us to go on

we would not do so unless the business offered appeared to us to be sound. We are now awaiting their reply.

We hear that Mr. A. Wendell Jackson is very busy trying to sell Chinese treasury bills.

As stated in our cable of today we have heard that the Chinese may secure a £5,000,000 loan secured on the Kaiping and Lanchou coal mines. Doubtless, however, this is merely another rumour.

During these last few months you have been very much in my thoughts for I have known so well your own feelings and fully appreciated that many of the telegrams sent from here must have been a great disappointment to you. New York, however, has been no rose-garden and we tried to do our best. As Teddy has told you, your work has been very much appreciated.

With best wishes and hoping that we may be able to see you over here some of these days, believe me,

Yours ever,

Charles F. Whigham, Esq.,
22 Old Broad Street,
London, E. C.

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March 14, 1913.

Dear Frank:

Davy has turned over to me your letter of the 18th of February and asked me to reply thereto.

He considers the proposition very interesting, but fears that any hard and fast financial alliance between the American Group and Japan mught be unfortunate,although this by no means indicates that the American Group, should occasion arise, would not be very glad to work with the Japanese in specific undertakings and possibly have some sort of an understanding with them that they would submit to us such business as might arise.

It is impossible not to recognize that whether rightly or wrongly, anything like a definite understanding with us would sooner or later be utilized by Japan for the exploitation of China. Mind you, I am not criticizing the Japanese for this. On the contrary, I admire their intelligence and foresight, and should think that co-operation with them might very well be profitable for us.

As you know, however, there is a good deal of suspicion of Japan in this country even yet, while the favor in which Wall Street is held needs no comment, so that it will require no elaboration on my part to prove to you how very prejudicial to our broader interest it might be if we should get tangled up in business of this sort.

However, Davy thinks that there is no reason why you should not continue to play with Odagiri and let him develop his ideas, for until his proposition assumes tangible form it is of course impossible really, either to approve or condemn it. The foregoing remarks therefore merely deal with the general aspects of the situation.

Yours,

Frank H. McKnight, Esq.,
American Legation,
Peking, China.

March 14th, 1913.

My dear Frank:

Your letters of the 13th and 18th of February came to hand yesterday. On receipt of your communications I am always tempted - and, as you have observed, some times fall - to enter upon a long dissertation upon the general subject of China, Dollar Diplomacy, and the rest, but very frequently I have the feeling that many of the points which you raise have already been covered by letters that have crossed and I frankly confess that I am too lazy to go back through the voluminous correspondence which we have interchanged.

As I trust you noted from the Group telegram of yesterday, your point regarding replies to your messages was well taken and I endeavoured to make some amends by acknowledging the receipt of your #275.

As regards your 253, 254 and 256, I must confess that there really seemed no particular answer to give, as your messages were more or less in the nature of information. Your #256 was of course repeated to London and was covered by the joint telegram despatched from there on January 13th. However, if there is to be any future in this business, which I rather doubt, we will try and do better.

I was extremely sorry to learn that you had not received the usual dope sheets from Messrs. Morgan, Grenfell & Co. When I was in London last summer I attempted to have everything sent out to you and on my return here made an arrangement, which I had assumed Morgan, Grenfell & Co. were carrying out, that they should forward you copies of letters exchanged by them with the other groups, as well as copies of important cables sent by them to New York and received by them from us. I have taken the question up again in a letter to Charley Whigham as per copy enclosed.

With regard to the conferences. The Minutes, as you say, have been very meagre but we have not received from Morgan, Grenfell & Co., any summaries giving the more personal aspect of the meetings. Their cables,

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however, were very full and covered the points raised from day to day, showing the trend of discussion. I know perfectly well how you feel about this whole question, because I felt the same way myself for three years, and having done so have tried to do my best to see that you received information which I did not. This is not intended in any way as a cricitism for I quite understood at that time, as doubtless you do now, that it is very hard to visualize the point of view of the man in Peking unless you have been over the grindstone yourself.

All you say about the attitude of Mr. Calhoun and Mr. Williams is extremely interesting. I am so fond of both of them that I hate to make any criticism but when the good Lord turned them out he failed to include very much punch in their cosmos. They are both of the biblical type, which believes in putting up the other cheek, in cheek I am a very strong believer, but not in the slap receiving sense. I know very well the struggle you must have had to get Calhoun to put the situation before the Department. I have stormed up and down the Legation Library for hours in an endeavour to get him to do the same thing and could never understand his reluctance in these matters. You were dead right in advising us and if we continue in the China business I hope that you will do this always for, as you know, some times it is possible to inject kick into a tender hearted representative through the medium of the Department of State.

All you say about the Japanese, Mr. Odagiri's delicate attentions to you and his gratitude regarding the Currancy Loan, as well as ffrench's comments on the European situation, is of the very greatest interest.

The suggestion in your telegram #275 was interesting but as you yourself know our friends here in New York are not in the bluffing business and a combination with Germany and Japan, which Powers, with ourselves, are the least strong financially (Russian weakness is more than balanced by French and British strength) would hardly appeal here in any case, and I fear that

we could not have gotten away with it even if we had made the attempt, because our French, British and Russian friends are pretty wise and they know with a remarkable degree of accuracy how to gauge our power.

The State Department were quite exercised regarding the question of the Currency adviser and they have been more or less holding this up their sleeves to spring when the proper time came. The British Government, however, were quite decent about this matter as I understand that in reply to the French suggestion they said that they could do nothing until the United States was consulted, inasmuch as we had a preponderant interest in currency reform. A letter received from Casenave a day or two ago seemed also to recognize this fact and takes the line that there was nothing antagonistic to us in that suggestion, it being thought by the French Government that China would need an especial financial expert while for currency reform she would need in addition more of an administrative and technical official.

There are a number of rumors here regarding attempts to secure funds from the outside. Your friend Mr. Wendell Jackson has been very busy and we understand has seen Mr. Bryan on two occasions. We are now awaiting the results of our interview of Monday last.

Davy made a fine performance and put the thing up very straight to the new Secretary. He was apparently very much interested, attempted to be very courteous and rather surprised me by his obvious wish to look at the matter from all points of view. McReynolds, the new Attorney General was also present. When we left the matter was summed up by him in his statement to Davy, in which he said "as I understand the situation, unless the Administration requests you to continue in these negotiations you will withdraw. If we do request you to continue, you will consider the matter". To which Davy replied we could not of course undertake to commit ourselves in advance to business which did not appear sound, but that we would endeavour to be of assistance to the present Administration, as we have been to the past, and would

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be to any in the future. This was followed by a salvo of artillery and we were escorted from the Department of State by a brass band and thirty-five newspaper men. Since then we have been sitting at the end of a telephone wire waiting to hear the decision of the Cabinet. I rather gather that we will not be requested to go on, so that probably long before you receive this letter your heart will be gladdened, at least I presume it will be, by a telegram telling you to close up the old shop and beat it for home. When you do this I am very anxious to buy from the Group the four black wood chairs and the heavy black wood tables which now form part of our equipment in Peking. If you close up the house I hope you will allow me to purchase these and that you will be good enough to have them shipped home for me.

I am glad to see that you have been reading Cromer. It is a most interesting book, especially in view of what has been happening in China in the last few years. There is one quotation in the first volume with regard to the effect of Occidental civilization on an Oriental power and the attempt of the Oriental power to stand the racket. This has always appealed to me as strikingly applicable to China. Cromer also has a beaitiful line about the inevitable manner in which facts assert themselves. However, I did not intend in answering your two letters to give a little homily or to philosophize at too great length.

I wish that I knew as much now as to what is going to happen as you will by the time you get this letter.

You will be interested to know that China's interest is safe, provided I can induce the Group to finance a gentleman who came in yesterday. He informed me that in five years he would be the most influential man in China. He proposes to take advantage of the down fall of the Manchu Dynasty with and the lack of idealism of the Chinese to furnish them with a true religion, making them anew a spiritual race and capable of expending loan funds without supervision, which, he pointed out, would enable us to

transact business on a little better basis. Doubtless you would like to have a little stock in sending this man to China.

Yours,

F. H. McKnight,
American Legation
Peking, China.

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March 18th, 1913

Dear Prather:

Your letter of February 18th duly to hand. My recent cable to you and your reply, fully cover the flurry about yourself and some of your South American colleagues which appeared in the newspapers. Where the story started I have no idea but I was much surprised one evening to read in the Post that you, at the head of a bunch of young cut-throats who had in some manner or other obtained the rank of Minister, were proposing to refuse to resign in accordance with time honoured custom; not only this - that in case you were dropped from the service you intended to have recourse to a suit against the Government, taking the ground that you were removable only for cause. I at once called up Miller and asked him about this thing. The Department had heard nothing, as far as he knew, of any such move and I thought nothing more about it until I saw a telegram from Santiago according to which you had vehemently denied any intention to plot against the anxious Democratic office-seeker and had stated that your resignation would be ready any time it was wanted. I wish that I had gathered the clippings but I failed to do so. In any case I was afraid that somebody in some way had got wind of your purpose not to resign and that being unfriendly to you they were trying to play it up in some manner which would hurt you. Hence the cable.

Dorothy tells me that she learns from Beatrice that you have been in correspondence with your friend McAdoo. You do not mention this in your letter but I trust that Dorothy's dope is correct. In any case, as far as things are shaping up here, it would seem to me that there will be little disposition on the part of the new Administration to "chuck" people who, like yourself, have been able to bluff the officials in the Department into thinking that you were diplomatic officers. The appointment of John Bassett Moore as Counseller of the Department, which is announced in this morning's papers, would seem to make this doubly sure, as he is extremely friendly to

you and apparently labors under the delusion that you have been doing most excellent work in South America and are a credit to your country.

With Davison and Warburg I went to Washington on Monday, the 10th instant, to see the Honorable William Jennings Bryan, holding down the chair which had held Webster, Seward, Hay and Root. The "Peerless Leader" was apparently very much impressed by his surroundings. There was still a little suspicion of the Nebraska hayfield noticeable in the atmosphere of the room but we were very much pleased with his obvious desire to be courteous and open minded, and I myself went away with a notion that he rather fancied himself in the role of a great international statesman; that he feels that after sixteen years of domestic preaching he will now, through his present office, be able to extend his field and dress up the "Prince of Peace" in diplomatic verbiage and pass it on to the admiring Chancellries of Europe.

Seriously, however, it seemed to me that Mr. Bryan fully appreciated his responsibilities and that he is anxious to be a great Secretary of State. Strange as it may seem, I am rather inclined to believe that he will deliver the goods. There is no question about the charm of his personality and he certainly could not have done what he has done did he not have the capacity for winning the confidence of men, which certainly gives ground for the hope that he may be able to win the confidence of governments. Of course he lacks technical diplomatic training and is probably ignorant of the complications of world politics. If he keeps, as he seems likely to do, the men as bureau-heads who have during the past four years (and at some cost to our friendly international relations) acquired a fairly good working training, he may be able to utilize their acquaintance with detail and at the same time soften some of their asperities with a dash of the milk of human kindness. In many ways I think that Bryan will combine with the experts in a more gracious manner than did his predecessor.

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The new Administration has started off with a bang and after two weeks thereof I find myself becoming rapidly enthusiastic about Wilson. I should like very much to know what you think regarding his recent statement about Latin America and whether it struck you as being a much more subtle, and therefore much more effective manner of dealing with this question than the blacksmith strokes of Philander C. Knox.

I am asking Brentano's to send to you a copy of the March "Atlantic Monthly", which has, it seems to me, a most excellent analysis of Wilson's character. The same number also contains an article by Theodore N. Vail regarding public utilities, which is extraordinarily clear.

Beatrice is back from the south and we unfortunately are still here. We had hoped to go to Aiken but it looks now as if nothing is doing. Dorothy is well and the youngster is gaining rapidly. He will soon be able to drink strong liquor from the magnificent cup with which you presented him.

Be good, -

Yours,

His Excellency,
H. Prather Fletcher,
The American Minister,
Santiago, Chile.

March 25, 1913

My dear Blando:

Thanks for your screed of the 11th. Let it be so.

We are still so stunned by the announcement made by the President on Tuesday last that we have not quite recovered our equilbrium. Something of the sort seemed more or less inevitable in view of the declarations which he made regarding American foreign policy and especially in view of what Mr. Bryan has emitted from time to time with regard to the same subject.

We met Bryan at his invitation on the 10th. During the following week we several times asked the State Department if the Secretary was about to have anything to say, but received no information whatsoever. On Tuesday morning we read Washington despatches in the newspapers that the President that evening or the following day would make an announcement regarding his Far Eastern policy. Late that night we got the statement from the Associated Press and read the entire document in the papers the next morning. The only communication we have ever had from the Department on the subject is a neat little note forwarding this announcement for our information the day after it was issued. We since learned from Mr. Huntington Wilson's letter which appeared in the press, a clipping of which I enclose, that the information regarding our withdrawal had never been even communicated to the Department or to the other governments with which we had been associated in the past.

Comment on this situation would seem to be superfluous. The press throughout the country is hailing it with delight. Their attitude is exactly that of our friends at the Worcester Conference. "The "Herald" and "Sun" in New York are taking a more intelligent view, as is the "Journal of Commerce", pointing out that although the President's real object seems to be to assist China and to promote American trade his action is not calculated to serve this end. This certainly is my own opinion. It is,

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however, a question of judgment and now that the thing is done it will be very interesting to see what happens. The immediate probable result will be, I think, that the Chinese will get their tails in the air, confident that they will be able to obtain funds in the United States without supervision of any sort. This happy anticipation I think is doomed to disappointment and our short haired friends will then go back to the old groups again, and this time probably find that their conditions are even less acceptable than were those to which we were all prepared to agree at the end of January last.

The original mistake in this whole business has been that we were innocent enough to suppose that any consistent foreign policy was possible in Democracy, where even the amenities of, let alone the conduct of, international relationship must always be subordinated to the exigencies of domestic politics. I doubt if we will be fooled again.

This all makes a very interesting commentary upon your little chapter on "American Diplomacy in the Far East ", in which you point out how we are striving to follow out our inevitable Imperial destiny.

Marvin turned up the other day from Constantinople and I believe he is now in Boston, but what his plans are I do not know. He asked most affectionately after you. Fletcher is still in Santiago, and I presume will stay there for a time at least, for there seems to be no disposition as yet to have a general overthrow in the diplomatic service. It seems preferable, in accordance with old customs, to first make mad those who are about to be destroyed.

If you deliver yourself of any great thoughts regarding the United States in the columns of the "Times", I wish you would be good enough to send them to me, as I should enjoy reading them. Also I should like to have your comments on the situation in Europe created by our action as to the Reorganization Loan.

Yours,

JOP Bland
Shepperton-on-Thames England

March 25, 1913.

Dear Frank:

Your letter of February 20th aroused in me all sorts of great political thoughts. It was not answered before because I had intended to write you reams of burning words which probably would have been of most far reaching consequence in the history of China. These prescient sentences, these pungent phrases, these epic making thoughts on world politics, however, are doomed never to beatify the purple ribbon, the clinking keys, and the rustling paper of modern correspondence. They are lost, submerged by the cataclysm of Jeffersonian simplicity and the whirlwind of high-brow hot air which has demolished the little house of cards in which you and I have been toiling for these past years.

I am not even sure that you will be in Peking when this letter arrives but I rather imagine that you may be, for I doubt if our exit can be quite as abrupt as all that. I am afraid that to a certain extent bad manners have been both the Alpha and Omega of "Dollar Diplomacy". In the case of the former, however, it was perhaps necessary to break down the fence as you could not get in otherwise, but I cannot see why we might not have left the fold nicely through the door, rather than by taking a high jump and scattering mud on our colleagues as we cleared the fence.

As regards politics. This recent incident will be more or less forgotten inside of two or three years, and I hope xxxxxxxxxxxxxxxxxxxxxxx that you agree that the policy which we have pursued has been so essentially sound that it will not only be justified by future events but that it will assert itself to such a degree that even this Administration will be forced eventually to adopt more or less the methods of its predecessor. Nothing of this sort could be said downstairs just at present but I hope that you will not feel that the thing is final, and that in going away you will gather all the dope you possibly can, especially from Odagiri, as well as establish lines

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of communication that you can keep open after you have left Peking, in order that we may know when the psychological moment arrives, which I am sure will, for us to go back at the old game once more.

You must not think because the Reorganization Loan was not signed that your work has not been fully appreciated. In some cases, as Davy once remarked, it is most successful to be unsuccessful.

It will be fine to see you again and to hear of your adventures during the past year. What is going to happen to the American Group organization I have no idea. I presume that you have been thinking of this but you must not let it cause you any worry, as your action has been so heartily appreciated that I feel sure that the various members of the Group will be clamouring to secure your services on your return.

I am writing Gatrell today about himself and hope that you will be able to do something for him.

Yours,

F. H. McKnight, Esq.,
American Legation,
Peking, China.

April 3rd. 1918.

Memo. for Mr. Davison

In our cable to Morgan, Grenfell & Co. announcing our withdrawal, we said "we presume in view of amended Reorganization Loan Agreement, Currency Loan will be merged therewith, but if other groups wish proceed indipendently, we shall be glad do anything within our power be of assistance".

Mr. Warburg makes the point that we should now, in view of the Administration's attitude, refuse ourselves to extend the £400,000. Currency Loan advance, but offer to let the other three groups take up our share thereof and extend the term of the advance if they desire to do so, in order to secure an extension for a similar period of the time within which the groups shall have the right to issue the Currency Loan.

Would not the proposal now made by Mr. Warburg be entirely inconsistent with our offer to assist the European Groups with regard to the Currency Loan? As is pointed out in Morgan, Grenfell & Co's telegram, copy of which is enclosed, the other groups desire to merge the Currency Loan with the Reorganization Loan, but since the Reorganization Loan has not been concluded, and since its conclusion, in view of the withdrawal of the American Group, may be considered problematical, the British, French and German groups naturally desire to keep their hold on the Currency Loan.

It is quite true that in view of President Wilson's declaration, the American Group now desires to withdraw entirely

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from Chinese business. Our withdrawal from the negotiations for the Reorganization Loan, however, has undoubtedly greatly embarrassed the other five groups.

Would it not be ungracious, therefore, for us now to "rub it in" by virtually telling them, as Mr. Warburg suggests we should do - "We won't go on; we demand repayment. If you want to go on, buy us out and carry our share which we no longer will carry ourselves".

It is true that there is a distinction between granting an extension on the Currency Loan advance, and in extending the Treasury Bills, which we have notified the other groups we are willing to do in deference to the President's wishes. Is it not to be doubted, however, in view of all the circumstances, whether our European friends will be particularly disposed to consider these distinctions, and would it not be more gracious for us to agree to carry on in order to save them any further embarrassment?

Furthermore, even if we did allow the European groups to take up our share of the advance, and thus extend the term of this advance, as well as the period within which these groups can issue the Currency Loan, is it not very doubtful, if we could by this action absolve ourselves of all obligations under the agreement which we have signed? Would we not still be accountable for our share of this loan if it were issued, whether they took up our share of the advance or not, and would we not, therefore, be obliged, in case we did not wish to issue, to ask the European groups to do so for us?

W. D. S.

April 3, 1913.

Dear Charlie:

Very many thanks for your letter of the 25th ultimo. McKnight's plaint was doubtless due to the fact that he did not receive the daily sheaf, copies of which I presume were forwarded by Addis and the other groups to their representatives. As you say, these would have made interesting reading but I suppose that McKnight will understand, as I do, that your people were so overworked that it was impossible to furnish him with these letters, no matter how entertaining they might have been. I think that we here have done more or less as you did, that is forward Mc' Knight copies of such letters of ours to you as seemed of importance, and, unless I am very much mistaken, we have always sent to you copies of important communications sent to McKnight. As a matter of fact, you probably do not realize that in answer to the long letters which we have received from him we have very rarely done more than to express our appreciation of, and acknowledge, his interesting communications. If there has been any declaration as to policy at any time, it has generally been contained in a telegram, which has either been repeated or summarized to you, while any letters of importance which we have sent to him have been sent on also.

Of course the discussion is now merely academic but if I remember correctly the plan was that you would send to him copies of telegrams sent by you to us and received from us by you, thus saving time, and that you would also forward copies of letters received from the other groups which you considered desirable. However, why go on discussing this unprofitable subject.

I was extremely sorry that J. P. M. & CO's telegram of April 1st, which I drafted, should have been so misleading. Our own idea of the situation was so clear that until I reread the message I did not realize how it was capable of an interpretation quite different from the thought that prompted it. I hope, however, that this question has now been entirely cleared.

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The same remarks more or less apply to our telegram announcing the withdrawal of the American Group. In fact the original draft thereof contained a statement which, if I remember correctly, was that "although we withdraw from the negotiations for the Reorganization Loan we would continue to be bound by the provisions of the Six Group Agreement as long as the other groups were bound thereby." This was cut out as it was felt to be too obvious to need comment and as it was desired to eliminate as many technicalities as possible from the message.

We are still waiting to hear from your side as to any suggestions which our former colleagues may have as to our manner of getting out. The whole thing is so extraordinary that we even yet do not know exactly where we are at nor are we able to account for the precipitate manner in which the Administration made up its mind. As I wrote you the other day, they could not have possibly considered any of the correspondence and I learn through a friend of mine who knows the Secretary of the Treasury that the President and his Cabinet felt that they had no obligations whatsoever to the European Governments in regard to this matter.

You were very considerate in your references to our Administration and your restraint makes me blush for my own outspokenness. It is too bad that all this work should have gone for naught and I am especially sorry for Teddy, yourself and Jack Carter, who, on some occasions at least, will still perhaps have to deal with those whom we so summarily abandoned.

Yours,

Charles F. Whigham, Esq.,
22 Old Broad Street,
London, E. C.

April 7th, 1913.

My dear Thomas:

Many thanks for your letter of March 4th, since which time, as you have learned from the telegrams, the cyclone has struck us. I shall be very much interested indeed in having your comment on the effect of President Wilson's policy.

I note that you think it would be a very good thing if American bankers would make a loan to China but I fear that you do not quite appreciate the situation in this country. Foreign bonds at best are not popular here and have but a very small sale. We had arranged if we had taken our share of the Reorganization Loan, as we expected to do, to have them distributed all over the country and hoped that by handling the thing in this way we might be able to educate the public up to a point where they would take succeeding issues. You of course appreciate that it is a very different thing for us as bankers to handle a loan of this kind than it would be for instance for some individual concern interested as is yours in Chinese business, to take up some specific proposition. Perhaps you yourself, or some of your affiliated organizations may be inclined to do this but, as far as we are concerned, we are out of the business, for four years I suppose at any rate, although one can never tell. It seems rather hard that so many years of work should have been made to walk the plank, especially as it is obvious that this matter was never given any careful consideration in the light of all circumstances. I do not doubt that Mr. Wilson and Mr. Bryan both did what they believed would be beneficial to China and atend to promote American trade, and from the standpoint of the position of the United States in international politics their action may be well advised although I do not myself think so. This, however, is a matter of judgment and perhaps we have been so intimately connected with the thing that we have taken a worm's, instead of a bird's, eye view.

Thank you for the clipping from the China Press.

Wishing you all success and best of luck, believe me,

Yours sincerely,

J. A. Thomas, Esq., 22 Museum Road, Shanghai, China.

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April 30, 1913

Dear Blando:

Thanks for your letter of April 10th. You may be right about what you say concerning the permanent effects of Mr. Wilson's attitude but I am afraid that while public opinion in this country may be Imperialist by instinct it will have jolly little chance of asserting itself, now that Mr. Woodrow Wilson is sitting on the lid. You may be right about the tariff but I am rather inclined to think that Congress is pretty well bluffed and that the President and Mr. Underwood may put their bill through after all.

The Japanese situation has aroused a tempest in a teapot. We do not seem to be able to abide by our international obligations. Perhaps we shall learn the necessity of doing so at some future time but when that will be I should hate to prophesy.

In any case, Spring is in the air, the grass is good, polo ponies are champing at the bit, and, between you and me, I am damn glad that there is no Chinese negotiations to worry about any longer. No telegrams to expect on Saturday afternoon, no loan agreements which are about to be signed every Tuesday morning and which are as regularly violated on Thursday afternoon. No Addis to wrile my bottommost soul, no Russians and Japanese to curse as of yore. Altogether I feel relieved and am especially joyful because I am perfectly convinced that during years to come I shall be able, without fear of intelligent contradiction, to justify criticisms of the Wilson Administration by developments in China as they take place. It is a great thing to be able to say "I told you so", especially when in doing so you are able to add "If the President hadn't done this" or "If the President hadn't done that", "this" or "that would have happened," while the President having

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done something else no one can dispute the veracity of your statement.

I have read your effusion in the "National Review" and am looking forward to what you have to say in "The Edinburgh" of July. After your experience with China and Turkey you should be able to give an excellent analysis of American conditions which, after all, are not so different from the others referred to.

With best wishes,

Yours,

JOP Bland, Esquire,
The Clock House,
Shepperton-on-Thames,
England.

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April 30, 1913.

My dear George:

It was a great pleasure, as always, to receive your letter and your comments on the situation were most illuminating. It is needless for me to say that I agree with your views and I must confess that although it seemed to me your government and the Russians were pressing the Chinese a little hard on the adviser question, in general I quite appreciate the soundness of your position.

The action of our Administration in Washington was not altogether unexpected as both Mr. Wilson and Mr. Bryan had placed themselves on record as opposing any co-operation between diplomacy and finance. Diplomacy they regard apparently as an academic pursuit through which different nations find opportunity to take occasion to say nice things to each other and to avoid anything which savors of mere commercialism. Their opinion of finance, of course, is much more definite. They may admit the existence of some good bankers but I doubt if they could be convinced that Wall Street contained many of this variety, while, unless I greatly misjudge them, they regard the firm of J. P. Morgan & Co. as the epitome of all that is evil in American big business. You probably, from your distance, and unfamiliar as you must be with our conditions, cannot appreciate the lengths to which the campaigns of villification and misrepresentation have gone. At the time of Mr. Morgan's death even, when the crowned heads of Europe and the President of your Republic joined in their tribute to this great American, President Wilson and Mr. Bryan, as the heads of our own Administration, gave no expression either in the press or to the bereaved family. This may seem to you unbelievable but it is nevertheless a fact and one which does not

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make us feel inclined, even by stretching the theory of noblesse oblige, to regard those who are now in power with a great deal of charity.

Notwithstanding these views, however, I think in fairness to Mr. Wilson and to Mr. Bryan, one must admit that they undoubtedly thought they were doing a fine thing when they so summarily denounced the "Six Power Loan". As I have already said, their action was not unexpected. All of us who have been interested in the international relations of the United States, however, hoped that despite their preconceived opinions regarding this Chinese business these gentlemen would, on assuming the responsibilities of office, take time to study these problems and we felt that if they did devote sufficient time to the matter they could not but reach conclusions practically identical with those which influenced the Taft Administration during the past four years. Mind you, I hold no brief for Mr. Knox and the manner in which he did many things. At the same time I am inclined to think his errors were in method rather than in principle.

The events of the past two months have I imagine made our Washington friends think a little bit more about international relations than they ever did before. You who are brought up in an atmosphere where external problems are constantly discussed can never adequately appreciate the sublime ignorance which prevails in this country amongst our so-called "statesmen" and throughout the mass of editorial writers. To you it must seem impossible that despite our differences with England over the Panama Toll question, despite the abrogation of our treaty with Russia, despite the treatment which California is attemtping to give the Japanese, and despite the slap which our Government gave the Five Powers in retiring from the Six Power combination, Mr. Bryan should have the nerve to advance fresh

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proposals for universal peace. You may think it inconceivable that President Wilson should be so oblivious to the possible effects of his Chinese policy as to expect the other governments whom he has arraigned to accept the benevolent council which he will probably tender on China's behalf, especially when by withdrawing from the loan negotiations he has disavowed all responsibility for any practical concern in the solution of the Chinese problem. Yet this is all characteristically American. We seem to be children and expect others to accept from us treatment which if accorded to us in turn would rouse all the jingoes in the land. This is by no means an essentially Democratic failing although the Democrats are perhaps the most blatent offenders. It is characteristic of us as a nation and one wonders sometimes whether we will ever learn good manners. In the face of marvellous development of the country, however, and the improvement which seems to be steady, although slow, one can only hope for the best.

I should be much interested to hear what you have to say about the European situation and am wondering whether war may not break out even before this letter reaches you.

I will show your letter to Mr. Morgan, who will I know greatly appreciate your reference to his father.

Harjes was here for a few days but is now in Paris again, I presume. I had no opportunity to talk to him about the Philippines. In fact this would have been useless as the question of Philippine Independence is now of very vital concern to every one and we do not know what our Democratic friends will do. When things look better I shall let you know and hope perhaps to be able to do something.

We are about to move down to the country and since the Chinese business is at a standstill I hope to be able to spend a good deal of time out of town. McKnight left Peking the day before yesterday and will probably be in Paris in May. The Calhouns are supposed to be sailing from Cherbourg today and we

are looking forward to seeing them. Dorothy and the son are very well and we are all anticipating with much pleasure the receipt of the picture of your great-grandfather which we will greatly appreciate.

Yours,

George Casenave, Esq.,
87 Avenue Malakoff,
Paris, France.

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April 30, 1913.

My dear Prather:

Thanks for your letter of the 31st ultimo. Your friend Dewey I assumed to be of the order suggested by your communication under acknowledgement, but he seemed to be so intimate with you that for a moment I was tempted to think that your failure to give a more personal note had been due to laziness rather than design.

Long before this you will have received the home papers, with all the excitement of the Chinese loan business, H. W. 's resignation and the rest. H. W. may have been mistaken in doing what he did - most people think he was - but he at least got one good crack to his credit. Inasmuch as the President, and not H. W. himself gave this letter to the press, Wilson is not quite of the class now ornamented by Doc Andrew.

The papers are now full of the Japanese mix-up. We took lunch with the "big noise" on Sunday and although he did not say so directly it is pretty obvious that he is disgusted with "Holy Hiram" and the manner in which he is handling the "Bull Mice" legislators in California. T. R. of course took a few passes at Mr. Taft for ever having consented to the removal of our reserved right to exclude Japanese from our new treaty with Japan. He had even sharper things to say of Mr. Wilson's announcement when this question originally came up that it was one which concerned California only and with which it would of course be improper for him to concern himself. He had to jump off this perch pretty quickly but he had already got himself in wrong by failing to assert from the outset the supremacy of treaties over any State legislation.

Mr. Bryan is now in California talking to Hiram. Whether he will be successful in canning the Anti-alien Bill remains to be seen. In any case he will give Sacramento a treat. It seems rather ridiculous when you think of it - that Chamberlain, of Missouri, should in the Senate be proposing the

abrogation of the Hay-Pauncefote Treaty; that California should be stamping on our treaty with Japan; that despite our attitude toward the Japanese in California we should be raising thunder with St. Petersburg about American Jews in Russia and at the same time Mr. Bryan, with the consent of the President and the Senate, should be handing out a new line of "international peace" green goods, perfectly oblivious to the lamentable inconsistency of his position. We are great people. Some day we may learn but I imagine that it will take a crack in the eye to teach us very much and I do not know that any one is willing to take us on just at present.

Your friend John Bassett Moore, thank Heaven, is now on the lid in Washington and although we have gone pretty far wrong in the last two months he may be able to mend things a little bit before the Presidential term is over.

The President apparently is holding up patronage of all sorts as a weapon with which to force through the Tariff Bill. There is therefore little dope on the Service situation. I think that you yourself need have little worry and I sincerely hope that you will be able to land Mexico, or even Cuba, which,while a post of the same class as Chile, would bring you a good deal nearer home. There is no possibility of our getting down to see you but we shall look forward to having you up here in the autumn when we can go over the general situation together to our mutual amusement, if not to our mutual profit.

I have no idea what I am going to do but expect to sit around here for a while at any rate and await what happens. As a matter of fact I am not looking for much to do these days for I have bought some new polo ponies and the country looks pretty good to me. The fewer hours in the office, therefore, the better, as far as I am concerned. Keep writing.

Yours,

His Excellency, H. Prather Fletcher,
The American Minister, Santiago, Chile.

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April 30, 1913.

My dear Thomas:

Very many thanks for your two good letters of March 24th and March 29th. It is very good of you to write me so fully regarding developments in China. The situation seems to be moving pretty rapidly. All the news is at your end and any comment from me would be more or less superfluous. What the Administration in Washington is planning to do I have no idea. There has been some attempt made apparently by a firm called "H. B. Hollins & Co." to flirt with a loan proposition through the medium of the Chinese Legation. I am rather under the impression that Mr. Chang Yin Tang, the Minister, represents the southern party and Tan Shao Yi, rather than what has been called "the Chinese Republic", which has, I believe, its headquarters in Peking.

From the latest telegrams about the conclusion of the "Five-Power" loan and the attitude of the Kwo Ming Tang there would seem to be some question as to whether Yuan would be able to hold the bag any longer. It is especially unfortunate for the Chinese that just as the President seems in the way of being likely to get his money the situation in Europe should break loose again owing to the refusal of King Nicholas to get out of Scutari. The Chinese are certainly playing in bad luck. The Moroccan crisis was the first thing which upset the Currency Loan, enabling Russia as she did to bring strong pressure to bear on France, while since last autumn the Balkan War has made all the bankers, especially in Europe, very chary about undertaking any commitment whatsoever.

I doubt very much if Washington is paying much attention to Chinese matters these days as the Japanese situation is so acute as to demand all the time which the Administration is able to spare from the Tariff and Currency problems. There is a certain element of humour, however, in this question of American recognition of the Republic. Despite all their criticisms of Mr. Taft, the Democrats have apparently decided not to recognize the Republic

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until the Chinese themselves have put the Government on what may be considered a reasonably permanent basis through the proper election of officers. Mr. Taft's delay which was so widely assailed was due to his desire to await this same consummation and since the American bankers have withdrawn from the loan negotiations the "yellow" press can no longer claim that Wall Street has been forcing the State Department to withhold action.

It was very nice of you to suggest the dinner to McKnight and I am sure that he appreciated your compliment, even though he was unable to accept your invitation.

George Rea was here for sometime trying to interest people in his railway scheme. He did not, however, succeed. The Administration in Washington has an altruistic and general desire to promote American trade with the Far East but is, it would seem, unwilling to make a special application of these theories to any particular banking group. With China in its present state it is doubtful if any sane bankers will attempt to do business out there unless they are pretty well assured before hand that the Administration will not only support them if theyget into trouble but that it actually desires them to undertake Chinese business. You yourself, of course, quite appreciate that a banker regards this proposition in a light quite different from that in which it appears to the merchant.

I am glad to hear that you are continuing to do business in Mongolia and should be interested to know what you think of the possibilities of a Russo-Chinese clash. If it comes it would be rather hard on China I am afraid.

Thank you very much for your attention

With kindest regards to you, in which Mrs. Straight joins, believe me,

Sincerely yours,

J. A. Thomas, Esquire,
22 Museum Road,
Shanghai, China.

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May 28th, 1913.

Dear Prather:

Thanks for yours of the 25th. All the dope that I gather, which is very little, is that there will be very few changes in the Diplomatic Service amongst the standbys like yourself. There are lots of rumours from Washington about the great discontent in the State Department. I saw little Dearing at the Metropolitan Club the other night, when I went down to Washington with Leigh Hunt. He was very much disturbed, I did not dare to go to the Department myself to see any of my friends, as I feared that my calling upon them would lay them open to suspicion and that they might be accused of nefarious intimacy with Wall Street. Dearing was about to ask for a foreign post. He apparently could not brook having Mr. Boaz W. Long, an advertising gentleman from New Mexico, made Chief of the Latin-American Division. Advertising, however, is probably the best thing the State Department is doing nowadays. It is an American trait and one which people understand. Of course it may seem a little strange that we should regard the State Department as a domestic limelight in which young politicians may bask to be admired by their rustic friends. This function, though peculiar, is certainly beneficial to some and charity begins at home. After all, as long as we satisfy our own people why should we worry about the opinions of others. We have practiced the international skin game so long that our own hides ought to be pretty tough and we can regard with equanimity the sneers of other nations.

Old Calhoun is back and has been handing out a good line of dope which will not be particularly palatable, I imagine, to the gentlemen in Washington. It really makes no difference, however, for no one seems to know anything and everybody seems to care less. The most serious element in the situation is the Japanese difficulty. The papers are keeping pretty quiet, which shows unusual decency on their part. I have it on pretty good

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authority that we are very much nearer war than most people imagine. I had a talk with the "Big Noise" at Oyster Bay the other day and he is already beginning to talk about raising three brigades of cavalry. I have secured one and will doubtless be able to get a regiment for you. I asked him what he was going to do with cavalry against Japan and was even tempted to talk about the horse marines, but he took the whole thing so seriously that I did not have the heart to discuss it. His teeth clicked like a rat trap and he talked with a prospect. I think he would rather command a division of rough riders than be President of the United States for the rest of his life. He is writing some awfully good dope for "The Outlook" and he showed me his chapter entitled "The War of the Unready". It is to appear in next month's number. He hands out some beautiful lines regarding our friends in Congress and states that it would not be so bad if we were unprepared and content to remain quiet but what he objects to is the fattening of the "pork barrel" at the expense of the military establishment, while the "pork-eaters" clamour loudly for the blood of every nation under the sun. This is what T. R. calls "peace with insult" and I guess he is pretty well right. He tells me that he figures the chances of war with Japan are about 1 and 5. I know that some of the foreign Embassies in Washington are very much concerned. It is apparently felt that the Japanese domestic situation is so serious that they might welcome the risk of a foreign war in order to consolidate their own position. The going would be pretty bad for us, I should think, with Mr. Bryan and Mr. Wilson at the head of affairs, though one cannot but feel in contemplating Wood-chuck's jaw that he might be inclined to "can" his peace talk and get down to pretty hard tacks whenever the show-down came.

This international business, however, is really of very little importance compared with the polo match which is about to come off. The result you will have received before this letter reaches you. All of our

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people are pretty well scared and the Englishmen would seem to be a better combination than they were before and their ponies superior. The two Waterburys are off their "booze" and we hope they will be able to come back. Milburn had a bad fall and has sciatica in his arm, while Harry Whitney looks like thunder. The responsibility is weighing on him. I hope, however, that we may be able to pull the thing off.

Dorothy is well and the infant is doing splendidly. They both send you their love. George is back, doing odd jobs for "Harper's Weekly" but I imagine that his interviews with the wolf are quite as frequent as before. McCoy, Logan and Basil Miles are the only standbys at 1718. They have taken in a man by the name of Goodwin and he seems to be a pretty good fellow. Miles is expecting to leave the Post Office Department and McCoy is going back to his regiment. What will become of 1718 I don't know. Beatrice is going to the mountains but will be back for the polo match. We are planning to go away for the summer, and I hope for the autumn also. I have no job and don't expect to really get down to work until about the first of the year. Your suggestion about politics is interesting but I fear there is nothing doing. I do not think I am built that way.

Yours,

His Excellency,
H. Prather Fletcher,
The American Minister,
Santiago, Chile.

July 1, 1913.

Dear Excellency:

Your letters would have been answered before this had we not expected you to accompany the Brazilian Minister of Foreign Affairs. In fact it was not until I telegraphed Washington asking you all to come to the polo games that we, much to our disappointment, learned that you were not with the party. We all looked forward with the greatest of pleasure to seeing you, and while we sincerely hope that the Administration will have sense enough to keep you in Brazil, we still trust that you may be able to get away this autumn.

We ourselves are planning to sail for Europe on August 2nd and will probably return on the "Olpymic" sailing on September 24th. We may go up to Scotland for a short time and then spend a few days in and about Paris, going thence to southern France and Northern Italy. Perhaps you may be turning up there about that time. In case you do so don't fail to enquire for us at either Morgan, Harjes & Company or Morgan, Grenfell & Co.

As you will have judged from our telegram d'Oliveira spent a night with us and charmed everyone. We were terribly sorry not to have connected with him earlier but after I received your letter stating that he was on the same steamer on which this missive had gone forward I heard nothing from him. It developed that he sent the letter to Westbury, instead of Old Westbury, and had not been able to understand why we had not communicated with him and therefore had done nothing further. I finally met him at the dinner given by the Pan American Society and arranged for him to come out two days later. His letter turned up the same afternoon. We thought them both delightful and she sang in a most charming manner. We were sorry they could not stay longer but they both were off to follow on the trail of the Minister of Foreign Affairs.

Apparently the State Department have been very niggardly and have not played the game at all. It makes one rather sick when one thinks of the host of females which always accompany any American junket to realize that Messrs.

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Bryan and Company refuse to make any provision for Madam d'Oliveira. With all due deference to the Government there have rarely been such a lot of rough necks in the Department of State, certainly not for the last fifteen or twenty years.

You are doubtless getting all sorts of gossip from your many friends. Things in Washington seem to be in a very bad way. Bryan apparently is determined to nab all the places he possibly can and fill them with gentlemen who have supported him for the last sixteen years in his Presidential ambition. He is bare faced in his action. Service to party outweighs any possible service to country. I don't think that the gentleman is crooked or that he is doing anything which he realizes to be wrong. Ignorance is his principal trouble and also his long habit of irresponsible utterances. He is certainly a most agreeable man to meet, as you will remember. They say that poor John Basset Moore is getting more and more disgusted every day. He makes no bones about it and seems ready to talk quite freely to almost any one.

What with the Currency and Tariff Bills, the Lobby Investigation, and all the rest, there is plenty of excitement at the capital. Our wise political friends all say that if the Republicans and Progressives can get together they will easily beat the Democrats even in the next Congressional campaign. That, however, remains to be seen. The country as a whole seems to have gone anti-Wall Street mad. The banker is the only outlaw. Whether conditions can be placed again on a more sane basis without some general upheaval I do not know. This I suppose must remain to be seen.

You would have been covered with blushes had you heard your praises sung by the d'Oliveira's. They say you can get anything you want in Brazil. You should be tremendously proud of your diplomatic record and no praise can be too great for one who like yourself has got under the Latin American skin. Your friends are very proud of you.

With best wishes, always,

Affectionately yours,

To His Excellency
Edwin Morgan —

July 10th, 1913.

My dear Charlie:

Very many thanks for your letter of July 1st. It was most kind of you to take the trouble to give us such a lengthy explanation. I appreciate entirely your difficulties in dealing with this entire problem and know what a thankless task it must have been.

There is no need now of going into a detailed discussion of this matter. I must say, however, that I think we did understand the situation and that despite your explanation I am unable to feel that we were unreasonable, for it seems to me that we were entitled to payment in dollars in New York and that we should never have been placed in the position of having to collect from the other groups. I quite appreciate that the other groups were acting as the bankers for the Chinese Government and that the fault in this case has not been theirs. The Chinese Government, however, should have instructed them to pay us and later made the adjustment with them regarding the amounts which they had paid. However, let's forget it.

Dorothy and I are sailing on August 2nd on the "Olympic, returning by the same boat on September 24th. We hope to be part of our time in England and we are looking forward to seeing you all.

With best wishes,

Yours,

Charles F. Whigham, Esq.,
22 Old Broad Street,
London, E. C.

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July 30th, 1913.

Dear Charlie:

A formal acknowledgment of M. C. & Co's letter of July 12th is going forward today. I have had a talk with Jack about the matter and quite understand your position. I hate to seem obstinate but I am at a loss to see why our letter of May 29th regarding the status of the International Banking Corporation does not meet the case. However, I doubt if any question will arise which will bring these various details into controversy and cannot see why it would not be just as well to let the matter rest as it is. Jack showed me the draft letter which he has prepared to send to Addis, and this seemed to me to state the case fairly. Perhaps it might be well to forward such a letter to him but as to that you are of course the best judge.

Everything seems to be pretty well settled up now and I hope that in the future there will be no more wrinkles to smooth out. You at your end have had all the dirty work to do and I hope that you understand how fully I have appreciated your many difficulties.

****

Yours ever,

Charles F. Whigham, Esq.,
22 Old Broad Street,
London, E. C.

September 2nd, 1913.

My dear Charlie:

Very many thanks for your letter of August 11th. With due deference to even the lengthy explanations, both official and personal, I greatly regret to say that I do not agree with you regarding the International Banking Corporation. The telegram of April 17th to Peking was worded unfortunately in that it did not clearly state we no longer intended to delegate to the International Banking Corporation our functions under the Hukuang Loan Agreement, as had originally been proposed in the telegram despatched at the time of our withdrawal from Chinese business.

As to the sentence which you quote in your letter, which states that "The American Group expect International Banking Corporation receive absolutely equal treatment as regards banking business arising out of Hukuang Loan, etc.", it seems to me that there should be no question in case, of course, the words clearly convey to the reader the writer's intent. It is our intention merely to protect the International Banking Corporation, as I think we were in honour bound to do. It seems only right that any transfer of funds, any handling of deposits in China, any financing of shipments of materials from the United States, should be handled by the International Banking Corporation, exactly as would have been the case had we ourselves remained in the Chinese business. You will of course understand that had we done so we should have expected to stand on all fours with the other groups regarding business arising from Chinese loans in which we were interested.

As was stated in our telegrams, we regard the Hukuang transaction as a piece of completed business, which we are committed to carry out and it seems to me, therefore, while we owe nothing to the Washington Administration, we are in this instance still acting more or less as the trustees for American trade - the basis upon which we went into this business, and I think it is only right that we should do all we can to insist that American materials be given a fair chance to compete with the materials of other nationalities and

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that the International Banking Corporation, in so far as the Hukuang Loan is concerned, be accorded all the rights and privileges which we ourselves should have expected to enjoy had we not been made to walk the plank.

These arguments may not convince you. I suppose that no argument ever does convince either party thereto. I fear that a good deal of the difficulty has arisen through lack of concise and definite expression from our side. However, if you do not accept this point of view I hope at least to have the pleasure of continuing this very interesting correspondence with you. Since the China business has been buried I have had practically nothing to do and it would be a very great pleasure for me to continue to conduct these post-mortems, especially with yourself as a correspondent.

You have doubtless been off seeking health and I trust that you have been successful in finding it. At the present time I am seeking work with no prospect of success. After six weeks at the seaside I seem to have health the plenty and the superabundance of energy makes enforced idleness all the more difficult.

****

Yours ever

Charles F. Whigham, Esq.,
22 Old Broad Street,
London, E. C.

[7-17-13]

23 Wall Street.
New York.

September 17th, 1913.

Hon. Paul S. Reinsch, P.H.D.,
c/o Hon. Charles R. Crane,
31 West 12th Street,
New York City.

Dear Dr. Reinsch:-

It was a very great pleasure to see you, and I feel greatly complimented that you should have cared to accord me an interview. I sincerely hope that you may be able to return to New York and meet a number of our business men here. If you will but say to them what you said to me I am sure that they will look toward the future with less apprehension, and that they may be encouraged to feel that all is not yet lost.

It occurred to me that you might care to read the letter which I today received from Dr. Gatrell, who, for the past three years, has been Chinese Secretary to the American Group in Peking. He is a man who can be of the greatest assistance to you if you care to call upon him. I have known him ever since I first went to China, some twelve years ago. He was with me for two years, and then served with McKnight who succeeded me in Peking. We both of us found him loyal and intelligent. While serving with us he acted as translator for all in the recent loan agreements, and his knowledge of modern documentary Chinese is, I think, unexcelled. He will, I am sure, be only too glad to do anything he can to assist you, and although an Englishman, he regards himself really

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as an American, and will be grateful to you if you will permit him to be of service to you.

The information contained in his letter merely confirms all of the reports which we have been receiving lately from China. I am very much afraid that the day of reckoning is near at hand, and that although a nominal Chinese Government may be preserved, foreign administrators must be placed in responsible positions in the Chinese service. Personally, I am inclined to think that this is the only way in which the Chinese people who, after all, we are most interested in, will ever be well governed. Mr. Tong Kai Son, of whose death Gatrell speaks, was one of the most intelligent and progressive of the group of men who studied in this country in the early 80's. He once confided to me that he believed that the only hope for the future of the Chinese people lay in foreign intervention.

These things, however, you yourself will judge, and I rather envy your opportunity to watch the tremendously interesting developments which will take place in China within the next few years.

I am also taking the liberty of sending you two pamphlets of my own which you may find of interest. There was necessarily certain duplication, which I trust you will forgive.

With kindest regards, and looking forward to seeing you on your return, believe me,

Yours very truly,

WILLARD STRAIGHT

Enclosures:

[9-17-13]

P. S. I am also enclosing a letter from D. A. de Menocal, who is the manager of the International Bank in Peking. You will also find him a very attractive and very nice fellow, and his wife is charming. He is experienced and well informed, and I am sure you will like him. Will you please be good enough to return to me both of the letters which I am sending you?

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September 22nd, 1913.

My dear Thomas:

Many thanks for your letter of July 29th. You seem to have been having a pleasant little party in Shanghai; I hope that you are none the worse for wear.

What you have to say about Szechuan Province is very interesting, but I am afraid that you will have very great difficulty in persuading any American bank to undertake opening a branch in that region at the present time. If some of you big fellows of the B. A. T., Singer Sewing Machine, U. S. Steel and the Cotton Goods people would all get behind the International Bank you might be able to do something, but I cannot believe that you, as a prosperous and conservative man, would recommend any one to attempt the establishment of a bank in Shanghai, unless they were assured before hand of the unqualified support of all the American firms in China.

We did not go abroad after all, but spent the summer at Narragansett Pier, which I presume was very much more healthy and better for all concerned.

Through your friend Mr. Crane I had the pleasure of talking the other day with Dr. Reinsch, the new Minister to China. He impressed me most favorably, and was very strong in his assurance that he intended to do everything possible for American trade. I am sure that you will like him, and that he will prove a most distinguished public servant. My only doubt is as to whether he will find any Government at Peking with which to deal.

With best regards from Mrs. Straight and myself, believe me,

Sincerely yours,

J. A. Thomas, Esq.,
22, Museum Road,
Shanghai, China.

Form 2589 K.

DAY LETTER

THE WESTERN UNION TELEGRAPH COMPANY

INCORPORATED

25,000 OFFICES IN AMERICA CABLE SERVICE TO ALL THE WORLD

This Company TRANSMITS and DELIVERS messages only on conditions limiting its liability, which have been assented to by the sender of the following Day Letter. Errors can be guarded against only by repeating a message back to the sending station for comparison, and the Company will not hold itself liable for errors or delays in transmission or delivery of Unrepeated Day Letters, sent at reduced rates, beyond a sum equal to the amount paid for transmission; nor in any case beyond the sum of Fifty Dollars, at which, unless otherwise stated below, this message has been valued by the sender thereof, nor in any case where the claim is not presented in writing within sixty days after the message is filed with the Company for transmission.
This is an UNREPEATED DAY LETTER, and is delivered by request of the sender, under the conditions named above.

THEO. N. VAIL, PRESIDENT BELVIDERE BROOKS, GENERAL MANAGER

RECEIVED AT

Z11CH MH 51 BLUE.

DA,NEWYORK,N.Y.SEPT.30.1913.

HON.PAUL S.REINSCH,

UNIVERSITY OF WISCONSIN,

MADISON,WIS.,

WE ALL GREATLY REGRET THAT YOU FIND IT IMPOSSIBLE COME TO NEWYORK PRIOR TOYOUR DEPARTURE AS WE ANTICIPATED WITH GREATEST PLEASURE MEETING YOU AND DISCUSSING QUESTIONS OF MUTUAL INTEREST WE ALL WISH YOU A MOST SUCCESSFUL AS WELL AS A PLEASANT JOURNEY IN PEKING AND A SAFE AND INTERESTING JOURNEY

WILLARD STRAIGHT.

450PM.

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October 16th, 1913.

My dear Blando:

I would not say that it was a great pleasure to hear from you after such a long time because you might think that my pleasure consisted, not so much in hearing, as in the length of the period which had elapsed. I presume therefore that I should say "it was a great pleasure to hear from you again".

Your communication stirs my patriotic spirit. You flatter my pride as an American citizen when you suggest that our State Department in Washington has a Far Eastern policy. I burst with emotion at your intimation that our Government has been warning the remnants of the Chinese Government not to come to any terms with Japan because America was about to take up a strong line of some sort. The strongest line I know about in these parts at the present time is conversation. Doubtless it is to that that you refer.

Your reference to "macaroni" is not at all appropriate. "Mutton" is now our national emblem. I am surprised that you should refer to Mr. Bryan's lectures in such a jesting way. You must realize that it is quite appropriate for a Secretary of State to familiarize himself with international interests of the broadest possible kind. Switzerland also is a sister republic, one of the principal exports of which is yoddlers, and in his summer activities therefore Mr. Bryan has been merely acquainting himself with the complexities of our foreign trade. Doubtless his chief object in seeking this association was to work out his plan for the harmony of nations. Ha! Ha! That sounds good to me.

I am afraid that I have no thoughts on the subject of the demise of the Qunituple Group. It seemed to be more or less of a foregone conclusion owing to the attitude of your very good friends, the Russians, who, I presume, have been backing the Belgians in their recent moves. How in

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the world control is to be imposed on the Chinese now I cannot see. The Sextuple certainly afforded the greatest possibility for sound international co-operation. Now I suppose we shall see a scramble. The bondholders' money, if it can be secured, will be thrown into the pot in the hope that joint intervention may some day save the whole stew. I suppose that some of your friends will make a good deal of money and perhaps ventures could be made sound enough if railways loans were predicated on the construction of the railways by contract, with foreign accounting and traffic management. Otherwise I cannot see what will happen.

We ourselves are out of the game. Some day we may go back but I am inclined to doubt it. Certainly with our present Administration ringing the changes in Washington no sound banker, as far as I am aware, desires to undertake any ventures overseas.

I wish that I could help Jameson but there is nothing to be done. The bankers might be willing to take the loan if our Government requested them to do so, but as sure as little green apples are the work of a Divine Providence nobody around this neck of the woods is going to sink any money in Chinese dikes, even though the work be carried on under foreign supervision.

Kirk Brice is now out hunting rattlesnakes, or something of the sort, with the Apache Indians. For a blond like himself it seems to me that this venture might be rather dangerous, as I don't doubt that any young Apache brave who could produce such a pretty golden scalp would win the heart of the fairest maiden in the tribe. When Kirk gets back I shall deliver your insulting message. He confessed to me the other day that he had been owing you a letter for some time. This, however, is, as you know, the way of the world.

We are all bearing up despite the passage of the Tariff Bill, and Dorothy and the baby are both in the best of form. With salaams to Madame Bland and best regards to yourself, believe me,

Very sincerely yours,

J.OP. BLAND, Esq.,
The Clock House, Shepperton-On-Thames, England.

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October 20, 1913

My dear Mr. Straight :

I have just learned from Professor Rowlee of the generous and beautiful part which you have taken in connection with the presentation of the Schoellkopf Memorial Building, and I want to express to you at once my grateful appreciation both personally and officially.

The building will meet handsomely a great need. It also commemorates a fine character and a devoted alumnus. I knew Schoellkopf quite well, and besides meeting him often here have been entertained at his home in Milwaukee. I cherished for him a great admiration and affection. And I rejoice that through your generosity his name is to be perpetuated on our campus.

Professor Rowlee talked with me about the exercises on the 15th. I made certain suggestions regarding the programme which he seemed to think of value. One of them I will say to you was that you should lay the corner stone. Professor Rowlee remarked that you desired that your part in this matter should not be publicly known. To this I replied that you could be appointed to represent the committee, and in that capacity perform the function.

I want to extend to you a cordial invitation to be my guest when you come to Ithaca for this function.

Could you not bring Mrs. Straight with you ? I hope that will be possible. If so, Mrs. Schurman will write Mrs. Straight as soon as I hear from you.

With much appreciation of your part in this matter, and with kindest regards, I remain

Very sincerely yours,

J. G. Schurman

Willard D. Straight, Esq.
c/o J. P. Morgan & Company
New York City

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October 24, 1913

My dear Mr. Straight :

I am in receipt of your letter of the 21st inst. I am glad to learn that there is a prospect of Mrs. Straight's coming to Ithaca with you. I hope, however, you will not make the visit so hurried as you propose. Could you not both come up on the Thursday night train and spend Friday? Saturday, and Sunday here. This would give Mrs. Straight time to see something of the University on Friday, while on Saturday she could attend the exercises at the laying of the corner stone of the Schoelkopf Memorial Building and also see the football game with Lafayette on Percy Field.

I enclose herewith a letter which Mrs. Schurman has written to Mrs. Straight. We should like very much to have you both come to us and stay for a few days at least.

With kindest regards, I remain

Very sincerely yours,

Willard Straight, Esq.
23 Wall Street
New York City

C O P Y

These papers accompanied Mr. Menocal's letter No. 13/115 of Oct. 29, 1913, to I. B. C. & transmitted to us by Mr. Green on Oct. 24/13

OFFICIAL TRANSLATION

Ministry of Communications
Peking

27th October, 1913.

Gentlemen:-

In Article 3 of the Hukuang Railways Loan Agreement of May 20th, 1911, it is provided that loan funds to the extent of £600,000. may be applied, inter alia, to the resumption by the Chinese Government of the portion of the Hukuang Railway lines already constructed by the Provinces concerned.

This Ministry has now concluded an agreement with the Hunan Railway Company, whereby the Hunan Section of the Hankow-Canton Railway is to be nationalised forthwith, in consideration of delivery by this Ministry to the Company of Chinese Government Treasury bonds for an amount - subject to final adjustment of accounts - of approximately twelve million dollars, the first instalment of which, amounting to $684,950. plus the amount of interest due for October of this year amounting to $25,000., making a total of $709,950.00, becomes due on October 31st, 1913.

This Ministry now requests the payment from loan funds of the said sum of $709,950.00 (which does not include the Ssuchuan-Hupei Line), to be considered as the first instalment of further payments from loan funds up to an aggregate amount not exceeding the final valuation of the Hunan Section by the British Engineer-in-Chief.

It has been agreed between this Ministry and the Hunan Railway Company that on payment of the aforesaid first instalment of $709,950. the Company will forthwith relinquish all its rights in respect to the

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said section, and will look solely to the Chinese Government for the payment, when due, of all further instalments in excess of the estimate of the Engineer-in-Chief, without recourse against the Hukuang Railways. A declaration to the effect that the Chiao Tung Bank has been designated by the Central Government its Agent for the repayment of principal and payment of interest of these bonds without recourse against the Hukuang Railways will be stamped on the Chinese Government bonds above-mentioned before their issue by this Ministry, in order to show clearly that the said railway line is to be forthwith incorporated in the Hupei-Hunan Section of the Canton-Hankow Railway, as part of the security for the Hukuang Railways Loan, (that is to say the security mentioned in the latter of March 1st, 1913)

As evidence of this understanding this Ministry now encloses for your information copies of telegrams which have been exchanged with its four delegates sent to Hunan.

Awaiting the favour of your reply,

I have etc.

(Sgd) Chow-Tsz-Chi

PEKING, 27th October, 1913.

To the Honourable Mr. Chou-Tze-chi,
Minister of Communications.

Sir,

We have the honour to acknowledge receipt of your letter of today's date, informing us that your Ministry has now concluded an Agreement with the Hunan Railway Company, whereby the Hunan Section of the Hankow-Canton Railway is to be nationalized forthwith, in consideration of delivery by your Ministry to the Company of Chinese Government Treasury bonds for an amount - subject to final adjustment of accounts - of approximately twelve million dollars, the first instalment of which, amounting to $684,950 plus the amount of interest due for October of this year amounting to $25,000., making a total of $709,950.00 becomes due October 31st., 1913.

Your Ministry now requests the payment from loan funds of the said sum of $709,950. (which does not include the Ssuchuan-Hupei Line), to be considered as the first instalment of further payments from loan funds up to an aggregate amount not exceeding the final valuation of the Hunan Section by the British Engineer-in-Chief.

You state that it has been agreed between your Ministry and the Hunan Railway Company that on payment of the aforesaid first instalment of $709/950., the Company will forthwith relinquish all its rights in respect to the said section, and will look solely to the Chinese Government for the payment, when due, of all further instalments in excess of the estimate of the Engineer-in-Chief, without recourse against the Hukuang Railways. Further that a declaration to the effect that the Chiao Tung Bank has been designated by the Central Government its Agent for the repayment of principal and payment of interest of these bonds without recourse against the Hukuang Railway will be

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stamped on the Chinese Government bonds above-mentioned before their issue by your Ministry, in order to show clearly that the said railway line is to be forthwith incorporated in the Hupei-Hunan Section of the Canton-Hankow Railway, as part of the security for the Hukuang Railway Loan, (that is to say the security mentioned in the letter of March 1st, 1913).

As evidence of this understanding your Ministry encloses for our information copies of telegrams which have been exchanged with its four delegates sent to Hunan.

In reply we have the honour to inform you that we agree to the conditions stated in your letter and referred to above, and are prepared to receive your instructions with regard to the transfer from the loan funds of the equivalent of $709,950.00, the proceeds of which our Branches in Hankow will be requested to hold at your disposal for payment to the Hunan Railway Company.

We have the honor to be,

Your obedient servants,

(Sgd) by Messrs. Hillier,

Cordes

Saint Pierre

Menocal

[encl. 10-27-13]

TELEGRAM FROM MINISTRY OF COMMUNICATIONS
TO THE FOUR DELEGATES TO
H U N A N;
MESSRS. CHANG, HUANG, CH'AO AND KU.

The Group Banks undertake to pay on October 31st from loan funds the first instalment of $700,000 odd, and succeeding instalments as due up to an amount not exceeding total valuation of Hunan Section by Engineer-in-Chief, provided that Hunan Railway Company, upon receipt of first instalment, relinquishes all its rights in respect to the said section and undertakes to look solely to the Chinese Government for payment of all liabilities in excess of the Engineer-in-Chief's valuation without recourse against the Hukuang Railways - a declaration to which effect shall be stamped on the Government Treasury bonds before issue by this Ministry - and that the railway will forthwith be incorporated in the Hupei Hunan section of the Canton-Hankow Railway and form part of the security for the Hukuang Railways loan.

This being a measure of extreme urgency you are requested to obtain immediately from the Company their formal confirmation of the above understanding in order that we may communicate it without delay to the Group Banks.

TELEGRAM FROM THE FOUR DELEGATES TO HUNAN TO
MINISTRY OF COMMUNICATIONS.

We have communicated with the Railway Company who accept the understanding stated in your telegram and request you to inform the Group Banks accordingly.

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23 Wall Street.
New York.

October 28th, 1913.

My dear Mr. Minister:-

May I take the liberty of introducing Mrs. Bruce Clark, of New York, and her friend Miss Austin, who are making a trip around the world.

Perhaps you have already heard from Mr. Crane about them, as the Clarks are friends of his, as well as mine. If you and Mrs. Reinsch can extend to them any courtesy it will be greatly appreciated both by Mrs. Clark and Miss Austin, and by myself.

Very sincerely yours,

Willard Straight

His Excellency
Paul S. Reinsch,
The American Minister,
Peking, China.

Copy to Group M. G. & Co. I. B. C. } 11/5/13.

November 3, 1913.

The Honorable
The Secretary of State,
Washington, D. C.

Sir:-

We beg to acknowledge receipt of the Department's letter of October 30th, regarding the rights of the American Group in connection with certain Manchurian railways.

We have the honour in reply, and in confirmation of our letter of October 27th, to which you refer, to point out that the Imperial Edict of January 20th, 1910, ratifying the contract of October 2nd, 1909, was formally transmitted to the American Legation in Peking with the statement that the Viceroy of Manchuria had been instructed to negotiate a detailed agreement with the representative of the American Group, the Legation being requested to advise the representative of the American Group to enter upon negotiations for such an agreement.

We beg, therefore, to state our conviction that the Preliminary Agreement of October 2nd, 1909, as ratified by Imperial Edict, constitutes an obligation of the Chinese Government and confers upon the American Group the right to furnish "the sum necessary to construct the railway from Chinchou to Aigun", and upon Messrs. Pauling & Company the right to contract "for the construction and equipment of this road", subject of

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course to a mutually satisfactory agreement as to detail.

An agreement as to detail was subsequently made and the Viceroy of Manchuria, in his letter of April 26th addressed to the representative of the American Group, accepted the draft of the final agreement negotiated with the American Group, which, he stated, should become operative as soon as it was ratified by Imperial Edict. A similar arrangement regarding the final contract for the construction of the line was reached between Messrs. Pauling & Company and the Viceroy of Manchuria on May 14th, 1910. Copy of this latter contract and the appended letters are enclosed herewith.

We would also beg to submit that the negotiations entered into by Lord ffrench with Mr. Knox and with the Russian Government, as well as the expressions as to the attitude adopted by the Japanese Government, do not affect the rights granted to the American Group and to Messrs. Pauling & Company by the Chinese Government and the obligations of the Chinese Government under the contracts referred to, and we beg further to submit that while the American Group and Messrs. Pauling & Company, through their representatives, endeavoured to meet the Russian and Japanese objections to the construction of the Chinchou-Aigun Railway, with a view to securing a compromise which would permit the construction of a Manchurian railroad, this fact cannot be held in any way to vitiate the obligations of the Chinese Government to the American Group and to Messrs. Pauling & Company.

We therefore regard the Preliminary Agreement of October 2nd, signed by the Viceroy of Manchuria and the representatives of the American Group and of Messrs. Pauling & Company, as securing to the American Group and to Messrs. Pauling & Company the right to finance and build the line from

Chinchou to Aigun and we furthermore feel that the final agreements, subsequently approved by the Viceroy of Manchuria, constitute a commitment on the part of the Chinese Government to the American Group and to Messrs. Pauling & Company for the financing and construction of branch railways in connection with the Chinchou-Aigun main line.

The Department's letter under acknowledgment states that the Department is in receipt of information tending to confirm the report that Japan has secured certain new railway concessions in Manchuria. The Department also states that its letter under acknowledgment is based on the facts as they appear in the Department's files, without prejudice to any further information which we may be able to furnish. We have the honour, therefore, to hope that the additional information contained herein may establish to the satisfaction of the Department the justice of the American Group's claim that its rights under the contracts referred to herein entitle it to consideration if the contracts signed with Japanese interests prejudice the rights of the American Group and Messrs. Pauling & Company.

Conscious of the fact that the Department will wish to protect our legitimate interests, we venture to hope that the Department may see fit to bring this matter to the attention of both the Chinese and Japanese Governments. In submitting this request, however, we wish to make it clear that we do not desire to interfere with, or obstruct, Japanese plans for railway construction in Manchuria. We believe that we are justified in feeling that our rights in this connection should not be disregarded but we shall

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be glad of course to consider any proposition that the Japanese or Chinese interests may desire to make with a view to reaching an equitable settlement of this question.

Very truly yours,

Enclosures:-

November 11, 1913

My dear Mr. Straight :

I am to be in New York Friday of this week. I come up on the Lackawanna train that night. Would you kindly drop me a note at my brother's, 15 West 57th Street, New York City, letting me know if you will be on that train. In that event we could drive to my house together for breakfast.

You will have some leisure after breakfast before the dedicatory exercises begin. But after we have luncheon the time will be limited, if you desire to see the football game.

In the evening we have dedicatory exercises in connection with the opening of the new buildings provided by the State for the College of Veterinary Medicine. I shall be engaged there, but Mrs. Schurman and other members of my family are going to the Theatre to see Pavlowa, and on the supposition that you might like to join them I have secured a place for you. You would not be hurried unduly if you took the Lehigh sleeper back to New York as it leaves about eleven o'clock, nearly an hour after the Lackawanna sleeper.

Looking forward to the pleasure of your visit, hurried though it is, I am

Very sincerely yours,

Mr. W. D. Straight

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Copy to Mr. Menocal 11/19/13

Copy to Group & J.B.C. 11/17/13 + J.B. Moore State Dept.

November 14, 1913.

Ack. 11/28/13.

My dear Mr. Ambassador:-

In the very pleasant interview which you were kind enough to accord me on Saturday you suggested that I write you informally, outlining the position of the American Group with regard to the Manchurian railway situation, which we then discussed.

As I told you on Saturday, our representative in Peking recently advised us that Japanese interests have concluded, or are about to conclude, with the Chinese Government contracts for the construction of lines from Kwangchengtzu to Taonanfu, and from Taonanfu to Chengchiatun, and possibly for other roads as to the exact location of which we have no specific information, although we understand that a line from Chinchou to Taonanfu is contemplated.

When in March last we advised the Chinese Government of our withdrawal from the negotiations for the Reorganization Loan and Chinese business generally, we gave notification that we should nevertheless reserve all rights held by us under the Chinchou-Aigun Agreements.

You will, of course, understand that we should necessarily carry on any official discussion with regard to this matter directly with the Chinese Government but, as I told you on Saturday, we are ~~not~~ anxious not to interfere with, or obstruct, the negotiations which the

Chinese Government is conducting, or has concluded, with your nationals. Therefore, while appreciating that the Japanese Government is not directly concerned with arrangements between the Chinese Government and the American Group, I was very glad nevertheless to take advantage of our personal relation to bring this matter to your attention in an entirely informal and unofficial way. I was prompted to do so largely by my feeling that the Japanese interests contemplating construction of the railways mentioned might desire to reach an understanding with the American Group as to our respective interests by a frank and informal interchange of views. It has occurred to me also that, when advised of our position, your friends in Tokyo might perhaps desire to suggest some arrangement which, as recognizing our position and as calculated to facilitate the fulfilment of their plans for railway construction in Manchuria, would be mutually satisfactory.

For your confidential information, I am forwarding herewith copies of the documents on which our position is based. These include the Preliminary Agreement of October 2nd, 1909, correspondence with the American Legation in Peking, transmitting and elucidating the Imperial Edict of January 20th, 1910, which ratified the Preliminary Agreement referred to, together with a copy of the draft Final Agreement and the letter addressed to the American Group by the Viceroy of Manchuria, accepting the same and engaging to proceed with the financing and construction of the railway upon the ratification of the Final Agreement by Imperial Edict.

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His Excellency
Baron Chinda - #3. 11-14-13.

I am transmitting also copies of further letters regarding coal mines, harbour works, and other matters, rights to which were conferred upon us in connection with the agreement for financing the construction of the Chinchou-Aigun Railway.

Messrs. Pauling & Co., on the fourteenth of May, 1910, also negotiated a draft final agreement, which was accepted by the Viceroy of Manchuria under a letter similar to that addressed to the American Group.

We believe ourselves justified in feeling that by virtue of the ratified Preliminary Agreement and the draft Final Agreement, accepted by the Viceroy of Manchuria, the Chinese Government is under certain obligations to us, not only with regard to financing the construction of the trunk line from Chinchou to Aigun, or portions thereof, but also with regard to lines running east and west, which logically would have been built as branches of this main line had it been constructed.

I should be greatly obliged if, after you have read over these documents, you will return the same to me.

It was a very great pleasure to meet you on Saturday and I trust that Mrs. Straight and myself may be fortunate enough to see you when next you visit New York.

With best wishes, believe me, my dear Mr. Ambassador,

Very sincerely yours,

His Excellency
Baron Chinda,
The Japanese Ambassador,
Washington, D.C.

Enclosures:

December 9th, 1913.

My dear Dan:-

I have written you more or less formally this morning, in reply to your letter of November 14th. You may rest assured that the American Group is not seeking an opportunity to take on any Chinese loans. In the first place the business would be unattractive and, in the second place, conditions in this country are such that foreign business, no matter how attractive, would not be very welcome at the present time.

Also, as you have doubtless gathered from our telegrams and from my letter to the Japanese Ambassador at Washington, we are not seeking any further adventures in Manchuria. As far as I can make out, we do not wish to obstruct or interfere with the Japanese policy. Our position was pretty well defined in my letter to you of November 19th. I can quite understand that you and ffrench have been anxious to know exactly what we had in mind but as you will appreciate on reading my letter already referred to and the note to the Japanese Ambassador, we have practically nothing in mind except to protect our position.

I note from your letter of the 14th, that ffrench thinks it well to take a more or less independent line and in this policy I heartily concur. Although joint signatories of the preliminary agreement, we

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negotiated our final agreements separately and I think it would be well for both of us to do what we can in the hope that if either party gets anything he may be able to help out the other. Our position, moreover,, is very dissimilar, in that ffrench is trying to steer a contract under which the Chinese Government would undertake to pay Pauling & Co. for work done, while anything we might do would be in the nature of a loan. In the present state of China I would much rather have ffrench's end of the deal than ours. I certainly hope that he can pull out some sort of a contract and of course if such contract be given in compensation for the Chinchou-Aigun Agreement, which has been disregarded, I should think that we should have a certain moral right to have an opportunity to say whether or not we would care to undertake a loan for such a railroad. Whether we would take such a loan, if ~~authorized,~~ offered is another matter.

With best wishes, believe me,

Very sincerely yours,

D. A. deMenocal, Esq.,
International Banking Corporation,
Peking, China.

December 9th, 1913.

My dear Menocal:-

Your very interesting letter of November 14th was received this morning. I assume that you have already received copies of our correspondence with the State Department and also copy of my personal letter to the Japanese Ambassador, regarding the contracts made by the Japanese for railway construction in Manchuria, which, it would seem, are to a certain extent in conflict with the rights held by us under the Chinchou-Aigun Agreement.

As you have doubtless gathered from the telegrams sent to you from time to time, the American Group has not taken this matter up with a view to again undertaking an active part in Chinese business. We have not regarded this situation as one affording us an opportunity to re-enter the field from which we withdrew last spring but have been actuated rather by our desire to safeguard the rights which we now hold. It was with the same object in view that Mr. McKnight, on notifying the Chinese Government of our withdrawal from the negotiations for the Reorganization Loan, also informed them that we should nevertheless expect full consideration for our rights under the Preliminary Agreement for the Chinchou-Aigun Railway, ratified by Imperial Edict, and the subsequent detailed agreement approved by the Viceroy of Manchuria.

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In discussing these matters, therefore, I am sure that the Group will particularly wish you to avoid creating in the minds of the Chinese, or other parties, the impression that the American Group are seeking an opportunity again to take up Chinese business. Our position I think is a strong one and, since it has been brought to the notice of both the Chinese and Japanese officials, it seems proper that we should await developments and that you should submit to the Group such suggestion as the Chinese officials, or Japanese interests, may from time to time have to offer. It is of course impossible to anticipate the probable attitude of the American Group regarding any solution of this problem until such solution has been proposed.

Very truly yours,

D. A. deMenocal, Esq.,
International Banking Corporation,
Peking, China.

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940 THE ROOKERY

My dear Willard:

Yours [illegible] which was received some days ago, but I have been so situated that I could not answer sooner. I was very glad to hear from you, as I always am.

In anticipation of Casement's visit Lucy & I formed certain plans for his entertainment whereby he could see something of Chicago's social life. We were hampered by the fact that we were not keeping house but some four friends promised their cooperation.

Unfortunately Lucy was taken ill just as he arrived — nothing serious, but enough to completely prostrate her & put her out [illegible] running". And I was just recovering

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from a repetition of the attacks which I had last summer, which sent me to the hospital for a few days. Again nothing serious but too many dinners, banquets etc, and not enough exercise. So you see we were very much handi-capped in the entertainment of your friend Casenave.

We turned him over to the tender mercies of some of your good friends, who took him to the opera, to dinners, etc. I think he had a fairly good time but it must have been somewhat embarrassing to him to be thus thrown upon the courtesies of strangers. He was liked very much and if he had remained long enough he would have become a social star of the first magnitude. I like him very much. I was never sure that he cared very much for me, although I think he appreciates Lucy.

I note what you say about your own plans. You don't ask my advice but I will assume to give you some. The trouble with you is that you have not found yourself, or found your place in life. Your early experience developed an interest in China and an ambition to do some constructive work there. But you were knocked out of all that by the action of our present administration. This result has left you in an eddy, so to speak, in the current of life. You don't like your environment, you have had no experience with it and no special desire for it. But I would advise you to hang on where you are, for the present, at least. I hate

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to think of you adrift, as it were, or to see you an idler or habitual polo player. You have too much ability, too much energy and too much heart to thus waste your life. You probably don't mean anything of that kind, but it is so easy to get into that sort of life, and ambition is apt to wane, and one's energies are likely to subside.

Fortunately you don't have to worry about something to eat or about a place to sleep. You can afford to wait, and, ere long an "open door" of some kind will appear and an invitation to enter it will be extended.

I hear from different sources that the present administration regrets its hasty action in Chinese matters. At least some of the President's intimate friends, over here, have expressed their regret to me. I think Mr.

Bryan is largely responsible. He had imbibed too much "grape juice" to see straight — that is not a pun.

I also note what you say about the proposed new publication — Is it a newspaper, a weekly, a magazine or what? Is it to be a "progressive" organ or what? I remember Hackett, but I only knew him slightly. He was the art or literary critic on some Chicago paper. Lucy knows him better than I do.

I once suspected that you were interested with Norman Hapgood in the purchase of the Harpers. I have since heard who were behind him in that matter and neither your name nor Dorothy's was included, so I supposed you had abandoned the idea. I can hardly think of

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you restricting your impulsive energies to the gratitude of an editor's sanctum. There is not enough go about it. I am afraid you would soon drop the pen and pick up the polo club, or stick or whatever it is called.

I don't think Hapgood has made or is making a success of the Harpers. I hear nothing but criticism. The editorials seem "mushy" and the illustrations are vile. The "feminist" tone which Hapgood seems to cultivate, does not appeal to any large constituency among men or women.

There is more probability of me going to the poor house than there is of me going to the U. S. Senate. Political conditions in this State are completely demoralized & disrupted. I don't want any office, will not make an effort for one, and such ~~things~~ favors do not come unsought. I hear more or less talk that I am the one to unite warring factions, etc. etc. But I pay no attention to this talk, & give it no encouragement. I expect nothing, want nothing, and as I am reasonably sure to get nothing, I shall therefore not be disappointed. Beside I am all broken up in my own mind. I have no convictions on religion or politics. I am all adrift, without a compass, and there is not a star in sight. I don't like the old managers of the Republican party and I don't like the professions of the "Progressive" party. I have no confidence in the intelligence or moral strength of the democratic party. I don't exactly know what I want. It was Carlyle, I think, who said "Strong is the man, who can say 'I believe'! Well,

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I must be very weak, for I have no beliefs, no convictions + no aspirations I only want a lodge in some vast wilderness "far from the maddening crowd". I am not sore, or disappointed or envious or jealous. I only want to be able to say "I believe," and I don't believe much in any body – but Lucy, Dorothy type – or in anything, spiritual, mental or material. And strange to say, I am in reasonably good health, actively interested in life, and all that. Pity me, if you will, and pray for me, if you can.

How is Fletcher coming out? I sincerely hope he will be retained. The country needs him, even though he may not need the job. I am preparing an address on Our Diplomatic and Consular Service. I delivered an outline of what I have in mind before the Commercial

Club, at a dinner given by it, a few weeks ago. This club represents the best elements of our city's commercial + social life. I had a very fine audience, one of an unusually high standard of culture + intelligence.

The speech took quite well, and there is a demand that it be printed + circulated. But the speech does not satisfy me. The time for preparation was short, and many parts of the speech were not well thought out, and its delivery was extemporaneous + therefore faulty in expression. It only suggested to my mind what can be made out of the subject

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and I am disposed to make a try at it. I see you are now the President of the Asiatic Society. When I have passed through the period of incubation, perhaps you will give me the chance of trying the result on your people, or will their former experiences with me be all they can stand?

Forgive this diatribe, but allow me, through you, to extend my felicitations to our dear Dorothy for Christmas & the coming New Year. For you, I wish the Star of your destiny may soon appear and that its light will shine upon & show you the pathway in which you are to travel to the dealing that God has taged for you. If Fletcher is still "within your gates", please remember me kindly to him.

Yours, in haste, but with all sincerity,

W.J. Calhoun

Dec. 12. 1913

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December 16th, 1913

CONFIDENTIAL

Dear George:

At the suggestion of McRoberts I yesterday and today had considerable talk regarding the Banque Industrielle de Chine with Prince Poniatowski, who brought this matter to the City Bank people. He has a scheme to get together a small group composed of very wealthy men here in New York, who for their personal account would subscribe to about one-third of the capital of the bank, taking, as I understand it, the share of your friend Victor. Poniatowski has represented that he is on extremely intimate terms with the Berthelots and has said that owing to this fact, and to his intimacy with Caillaux, he hopes to be in a position, if he secures the necessary American support, practically to obtain control of the bank. By this he does not mean securing a majority of the stock, but he seems to think that he will be able to direct the policy of the bank and has expressed himself as unwilling to interest himself unless he can have this dominant influence.

The proposition made to me was that I assist in getting together the group of American financiers and that I later handle this business in New York, while he will represent the American interests in Paris, both of us serving on the board of directors of the Banque Industrielle de Chine.

I have not committed myself in any way as to this offer, as I am, of course, not in a position to take any definite step one way or the other, until January 1st. I have moreover intimated to McRoberts that while the proposition interested me a great deal, I was not entirely sure that the association would be a desirable one. This opinion I based upon certain remarks which you made to me while you were here. I may have misunderstood you, in which case I wish you would advise me as soon as possible. I personally am inclined to doubt Poniatowski's ability to dominate the policy

of the Banque Industrielle de Chine but the whole enterprise seems to have certain very interesting possibilities which we discussed while you were here.

Upon receipt of this letter I wish you would look into the entire matter and write me fully. I would appreciate it also if you would send me a cable as soon as possible after the receipt of this and give me your ideas as to whether it would be worth while continuing the discussion. I must say, however, that I have practically decided to turn the proposition down unless you feel very strongly that it is a desirable one. Poniatowski is sailing tomorrow by the "France", by which steamer this letter will leave.

You know what a pleasure it was for us to have you here. We have been very lonely without you since you left. You would be very gratified, I know, could you hear all the nice things people are saying about you. As always, you made friends of all those whom you met.

With love from Dorothy and myself,

Yours,

M. Casenave,
87 Avenue Malakoff,
Paris, France.

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