F.D. 12A.3

No. 0125

Federal Reserve Bank
District No. 2
Correspondence Files Division

STRONG PAPERS

SUBJECT

2.) S.P. GILBERT TO STRONG (AND CASE)
1921 - 1923
ASS'T SECTY. - JULY 1921
UNDER SECTY. - JULY 1921 - NOV. 1923
OF THE TREAS.

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COPY

TREASURY DEPARTMENT

Washington

March 16, 1921

My dear Governor:

In connection with our telephone conversation of yesterday, I enclose the following papers with respect to the soldiers' bonus: (1) a copy of H. R. 14157, as introduced by Mr. Fordney in the second session of the last Congress; (2) a copy of H. R. 14157, as reported by the Committee on Ways and Means; (3) a copy of the report of the Committee on Ways and Means on H. R. 14157; (4) a copy of H. R. 14157, as reported by the Senate Committee on Finance; (5) a copy of the report of the Senate Committee on Finance on the amended bill; (6) a copy of the minority report from the Senate Committee on Finance; (7) copies of hearings before the Committee on Ways and Means of the House of Representatives on H. R. 14157; and (8) copies of hearings before the Senate Committee on Finance.

You will find on pages 8 to 11 of the report of the Senate Committee on Finance estimates as to the total cost of the bonus plan, under the amended bill. These estimates were prepared by the Government Actuary and are conservative. They do not take into account indirect costs. You will find an estimate of the probable costs of the bonus in the testimony of Secretary Houston which appears in the hearings before the Committee on Finance.

Sincerely yours,

(Signed) S. P. GILBERT, JR.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

8 enclosures. - Sent on to Mr John T. Pratt

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ASSISTANT SECRETARY OF THE TREASURY
WASHINGTON

May 21, 1921.

PERSONAL AND CONFIDENTIAL.

QA
MAY 23 1921

Dear Governor Strong:

I received your letter of May 16, 1921, and have read with interest the enclosed memorandum of the proceedings of the Eighth National Foreign Trade Convention held in Cleveland on May 4 - 7, 1921. I agree that at least in respect to manufactured articles, the question of production costs is the key to the foreign trade situation.

I wonder if you noticed the newspaper reports of the Cabinet meeting on Friday with regard to foreign loans as related to foreign trade? One outgrowth of the discussion is a conference in Washington on Wednesday, May 25th, between the Secretary of the Treasury and the Secretary of Commerce and a number of leading bankers from New York, Boston, Chicago, and Pittsburgh. I have suggested to the Secretary that you be invited to the conference but if that should not come about I should be grateful for any comments or suggestions which you may be willing to offer. For your own information, the Secretary of Commerce has been anxious to secure a public statement from the President warning the country against further foreign loans unless the proceeds are to be used to pay for purchases in this country.

Very truly yours,

S. D. Gilbert Jr.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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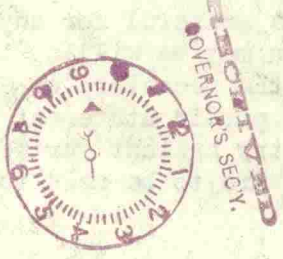

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ASSISTANT SECRETARY OF THE TREASURY

WASHINGTON

May 27, 1921.

My dear Governor:

I received your letter of May 23, 1921, and have read with great interest the enclosed copy of the letter of April 20th from Mr. T. Sasakie, of the Bank of Japan. His reference to cheap money and speculation is, as you say, particularly interesting.

Very truly yours,

A. D. Gillett

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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TREASURY DEPARTMENT

Washington,

May 28, 1921.

PERSONAL AND CONFIDENTIAL.

My dear Governor:

I received and have read with great interest your letter of May 23, 1921, with regard to the business situation and foreign trade. I am heartily in sympathy with the views outlined in your letter, and am glad that you had the opportunity to express them at the White House conference. Confidentially I know that both the President and the Secretary were much impressed and I think that you may count on plenty of cooperation in Washington. Much depends, however, on the terms of the proposed public statements to be made by the President and the Federal Reserve Board. To my mind, there has already been entirely too much loose talk in the newspapers and elsewhere as a result of the Wednesday conference, and I think it is highly desirable that the ground be consolidated by means of one or two carefully thought-out official statements.

I should like to talk over with you sometime the questions suggested by your quotations from Bagehot's "Lombard Street". The views expressed by Bagehot are doubtless sound as applied to temporary panic conditions, and have a definite bearing on the conditions now prevailing in the South and Southwest. I am not quite clear, however, about the effect of high interest rates on speculation. Speculation is influenced by such a combination of forces that I have

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always doubted whether, other things being equal, high money rates alone would deter the speculator. For one thing, the speculator with the prospect of speculative profits can afford to pay money rates which would effectively stifle production.

Very truly yours,

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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SECRETARY

TREASURY DEPARTMENT

Washington,

June 11, 1921.

RA
JUN 13 1921

CONFIDENTIAL

Dear Governor Strong:

This will acknowledge receipt of your confidential letter of June 2, 1921, enclosing the drafts of (1) the proposed letter from the Federal Reserve Board to the President as to prevailing conditions in respect to agricultural and industrial credits, and (2) a suggested statement from the President in regard to the White House conference with the bankers. The Federal Reserve Board letter has, I take it, been superseded by its public statement of June 6th and by the subsequent developments and conferences in regard to agricultural and live-stock credits.

I regret that it was not possible to issue some such statement as you suggest concerning the conference of the bankers with the President. The statements and speculation which have already resulted from that conference have been rather disturbing to the Treasury and I think may in the long run prove to be harmful rather than helpful to foreign trade. I am particularly disturbed about the recent reports that bankers will be expected to submit their plans for loans to foreign Governments to the Treasury for approval. The Treasury's position in regard to foreign

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Government loans has up to date been summarized in its statement of January 24, 1920 (which appears on pages 79 to 80 of the Secretary's Annual Report for 1920), and I do not look forward to the present prospect of having to pass upon foreign Government issues. I think it will be good for all concerned to have the Treasury and the State Department fully advised with respect to all pending foreign Government loans and that this in itself would give either the Treasury or the State Department the opportunity to offer objection if necessary. It would seem unfortunate, however, to require bankers or foreign Governments, before offering foreign Government issues in this country, to get anything like a formal approval from the Treasury or the State Department, or even a statement that there are no objections to the offering.

Very truly yours,

S. D. Gilbert

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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GOVERNOR'S SEC'Y.
JUN 13 1921

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ASSISTANT SECRETARY

TREASURY DEPARTMENT

Washington,

JUN 20 1921

June 15, 1921.

My dear Governor:

I received your letter of June 6, 1921, with the enclosed letter from Blackett and a set of the Economic and Financial Questionnaires prepared by the League of Nations. I have sent the questionnaires to the State Department and shall be glad to advise you further as soon as I get a formal expression of the views of that Department. I understand informally from Mr. Fletcher that the State Department will probably wish to pay no attention to the questionnaires.

Would it not be possible to satisfy Blackett by sending to him a set of the published reports and statements of the Treasury and the Federal Reserve Board, and perhaps some reports of the other departments, such as the Department of Commerce? The condition of the Treasury and its program and estimates for the immediate future have been quite fully set forth in such papers as the Secretary's letter of April 30th to Mr. Fordney and his letter of June 8th to the banking institutions of the country, and in the regular monthly public debt statements and the daily Treasury statements for the middle and the end of each month. I should be glad to send you a set of these papers if it would be of assistance.

Sincerely yours,

S. D. Gilbert Jr.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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ASSISTANT SECRETARY OF THE TREASURY
WASHINGTON

June 17, 1921.

CONFIDENTIAL

My dear Governor:

I received your confidential letter of June 13, 1921, with further reference to the supervision of foreign government loans in this country. I, too, had been under the impression that the original intention was only to have the State Department and the Treasury Department advised of foreign loan negotiations in advance of their conclusion, and I have indicated to the Secretary that I think this is the limit beyond which the Government cannot safely go. It seems to me that Government supervision of foreign loans to the extent of giving approval, or even stating that the Government has no objections to offer, would be most unfortunate.

Very truly yours,

S. D. Gilbert Jr.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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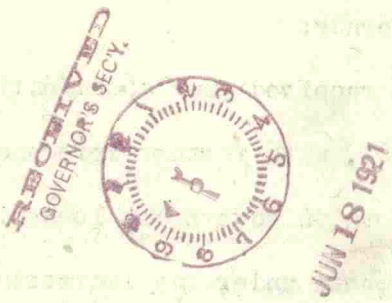

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ASSISTANT SECRETARY

TREASURY DEPARTMENT

Washington,

June 24, 1921.

JUN 27 1921

My dear Governor:

In accordance with your request, I return herewith the economic and financial questionnaires prepared by the League of Nations which were sent to me in your letter of June 9. The Under Secretary of State in returning these questionnaires to the Treasury said:

> "I think I should make it clear that as this Government has not recognized the League of Nations, the State Department believes that it should not, nor should any other governmental agency have any relations directly or indirectly with the League of Nations".

I should say, in view of the attitude of the State Department, that it would not be wise for the Federal Reserve Bank of New York, even informally, to attempt to fill out the questionnaires, directly or indirectly.

Very truly yours,

S. D. Gilbreath

Assistant Secretary of the Treasury.

Benjamin Strong, Jr., Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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JUN 27 1921

GOVERNOR'S SECY.

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THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

July 13, 1921.

PERSONAL.

ACKNOWLEDGED
JUL 15 1921
B. S.

Dear Governor Strong:

I received your letter of July 12, 1921, with the enclosed copy of the address which the Comptroller of the Currency proposes to deliver at Cleveland on Thursday, July 14th, and the copy of your letter of June 27th to the Comptroller in respect to his Atlantic City speech. I quite sympathize with your views, as you will see from the enclosed copy of my memorandum of July 11th to the Secretary. I had already spoken to the Secretary about both speeches, but doubt whether there is anything that can be done. At any rate, there may be some comfort in the idea that if the Comptroller says these things often enough no one will pay any attention to him.

Very truly yours,

S. P. Gilbert, Jr.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

1 enclosure.

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FEDERAL RESERVE BOARD
GOVERNOR'S OFFICE
JUL 15 1921

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July 11, 1921.

TO THE SECRETARY:

I attach a copy of another speech, which the Comptroller of the Currency is scheduled to deliver at Cleveland on July 14th. In it he further develops his "program for dealing with international exchange" by establishing an international bank and an international system of settlement based on a new international gold unit. It seems to me that the plan is utterly impracticable under the conditions now prevailing or to be anticipated in the future, and that the Comptroller is rapidly making himself ridiculous. Either the plan is a scheme to depress the dollar and artificially raise the value of depreciated European currencies at the expense of this country, or else it means nothing at all. There is no need to develop a new international unit of settlement. The world already has an acceptable unit of this character, - gold.

(Signed) S. P. Gilbert, Jr.

SPG WB

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ACKNOWLEDGED

JUL 18 1921

THE UNDERSECRETARY OF THE TREASURY

WASHINGTON

R. S.

July 16, 1921.

PERSONAL

My dear Governor:

I received your note of July 15, 1921. I have some doubt as to whether it would be worth while to write the article which you threaten to write to show up the unsoundness of such plans as are being proposed by the Comptroller of the Currency, chiefly because I think no one in authority takes these plans seriously. If you yield to the temptation, I hope you will favor me with a copy of the article.

Very truly yours,

S. P. Gilbert Jr.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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July 16, 1921.

PERSONAL

My dear Governor:

I received your note of July 15, 1921. I have some doubt as to whether it would be worth while to write the article which you threaten to write to show up the unsoundness of such plans as are being proposed by the Comptroller of the Currency, chiefly because I think no one in authority takes these plans seriously. If you yield to the temptation, I hope you will favor me with a copy of the article.

Very truly yours,

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

July 16, 1921.

READ AND NOTED,
B. S.

My dear Governor:

This will serve as a tardy acknowledgment of your kind letter of June 29, 1921, on my appointment as Under Secretary. The appointment would be classed, I suppose, as "permanent", though I am not committed to anything like permanence and at this time can hardly make any definite personal plans.

I am deeply grateful for your congratulations and good wishes, and for your constant friendship and support. I look forward with real pleasure to our continued association, and you may be sure that in the future, as in the past, I shall not hesitate to call upon you to the limit.

Sincerely yours,

J. P. Gilbert

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

August 10, 1921.

ACKNOWLEDGED
AUG 13 1921
F. R. S.

Dear Mr. Strong:

I received your letter of August 9th regarding the arrival of Mr. Montagu C. Norman, Governor of the Bank of England, and Sir Charles Addis, one of the directors of that Bank, on the CELTIC next Sunday or Monday.

I enclose herewith a copy of a letter written to the Collector of the Port of New York directing the issuance of a revenue cutter permit for your use and that everything possible be done to facilitate the landing of the party and their prompt departure from the dock. I hope everything will go well.

Sincerely yours,

S. D. Gilbert Jr

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
Federal Reserve Station P. O.,
New York, N. Y.

1 enclosure

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GOVERNOR'S SEC'Y.
AUG 12 1921

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August 10, 1921.

Honorable George W. Aldridge,
Collector of the Port,
New York, N. Y.

My dear Mr. Collector:

Mr. Montagu C. Norman, Governor of the Bank of England, accompanied by Sir Charles Addis, one of the Directors of the Bank of England, will arrive at your port on the SS. CELTIC next Sunday or Monday. Please give instructions to expedite their landing and the examination of their baggage.

Honorable Benjamin Strong, Governor of the Federal Reserve Bank of New York, wishes to secure a revenue cutter pass to meet the Celtic at quarantine, as the passengers referred to are visiting the country to discuss matters of importance to the Federal Reserve Bank and to the Bank of England, which is the London correspondent of the Federal Reserve Bank. Please, therefore, issue the necessary revenue cutter permit for his use, and send it to him immediately, to 15 Nassau St., New York.

It is requested that no publicity whatever be given to the arrival of these officials, as they wish to make a quiet visit in this country.

I shall greatly appreciate the extension of every courtesy to facilitate the landing of the entire party and their prompt departure from the dock.

Sincerely yours,

(Signed) Edward Clifford

Assistant Secretary.

87

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THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

READ AND NOTED,
B. S.

October 7. 1911.

My dear Governor:

I received the kind telegram which you sent me last month from Bar Harbor, and appreciate more than I can tell you your expression of sympathy. It was a great help in a very trying week to be able to make myself at home as I did in the Bank, and I shall never forget how thoughtful and sympathetic everyone was.

Sincerely,

S. D. Gilbert

To
Hon. Benjamin Strong.

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PROMULGATING BUREAU OF THE BUDGET CIRCULAR NO. 42, ESTABLISHING A FEDERAL SPECIFICATIONS BOARD.

3579 3792

1921.
Department Circular No. 265.

Chief Clerk.

TREASURY DEPARTMENT,
Office of the Secretary,
Washington, October 17, 1921.

To Heads of Bureaus, and
Chiefs of Divisions, Secretary's Office, and
Assistant Budget Officers, Treasury Department.

The following Circular No. 42 of the Bureau of the Budget, dated October 10, 1921, is quoted for your information and guidance:

"1. For the purpose of coordination and economy in the procurement of material and services used by the Government under specifications prepared in the various branches thereof, to avoid duplication of effort, and for the better utilization of resources and industries, there is hereby established a Federal Specifications Board.

"2. It shall be the duty of the Federal Specifications Board to compile and adopt standard specifications for materials and services, and to bring specifications into harmony with the best commercial practice wherever conditions permit, bearing in mind the desirability of broadening the field of supply.

"3. The Director of the Bureau of Standards, Department of Commerce, shall be ex officio chairman of the Board, and shall, subject to the approval of the Chief Coordinator for General Supply, select necessary committees, direct the time and place of meetings and the order in which subjects shall be considered.

"4. Immediately upon receipt of this circular, the head of each department and establishment purchasing materials or services in accordance with specifications prepared in such department shall designate one representative to serve as a member of the Federal Specifications Board, and shall designate such assistants to such members as may be deemed necessary, notifying the Chief Coordinator for General Supply of their selection. The Chief Coordinator for General Supply shall call the initial meeting of the Board for purposes of organization.

"5. The specifications that are prepared, adopted by the Board, and approved by the Director of the Bureau of Standards shall, as far as applicable, be binding upon and govern all departments, bureaus, agencies, and offices of the Government. In the event of disagreement on specifications, or on methods of procedure, the case will be submitted to the Chief Coordinator for General Supply, whose decision shall be final as to the action taken, subject only to appeal to the head of the department concerned."

Noted

H. P. GILBERT, Jr.,
Acting Secretary.

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THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

October 27, 1921.

Dear Governor Strong:

I have your letter of October 24, 1921, with the attached letter of September 6th from Mr. F. A. Vanderlip to Mr. H. E. Benedict and the copy of your letter of October 24th to Mr. Benedict, all with reference to the proposed visit of representatives of the Austrian Government who wish to attempt some negotiations in connection with Austrian relief. I agree with you that in advance of the passage of the pending Bill to authorize the funding of the foreign loans little can be accomplished by any such mission and it might even complicate the legislative situation to have an Austrian mission in this country. Mr. Benedict had shown me Mr. Vanderlip's letter several weeks ago and Wadsworth and I explained to him at that time that there appeared to be little to be gained by having Austrian representatives come to this country. Since that time some progress has been made with the funding bill, which has now passed the House of Representatives though it is impossible to tell what the probabilities are as to its passage by the Senate.

In case the Austrian representatives come to this country it will be something of a problem to know what to do with them, but in the circumstances I think that this problem will rest

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chiefly with Mr. Vanderlip's representatives. There has been absolutely no official encouragement of the mission. I understand that in any event the visit will be a quiet one and perhaps something may be accomplished if it is delayed long enough to permit further progress with the funding legislation.

Very truly yours,

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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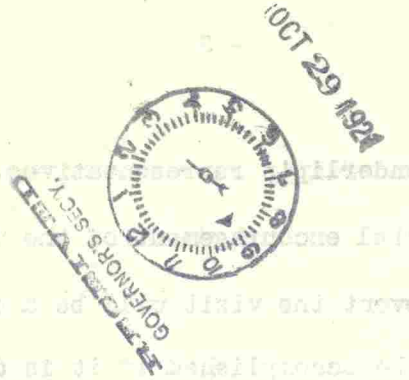

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THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

October 29, 1921.

ACKNOWLEDGED
NOV 2 - 1921
B. R.

My dear Governor:

I enclose for your information a copy of a letter of this date which I have sent to Mr. Adolph S. Ochs with respect to an editorial which appeared in the New York Times of October 28, 1921, under the title "Treasury and Money Market."

Very truly yours,

S. P. Gilbert Jr.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

1 enclosure.

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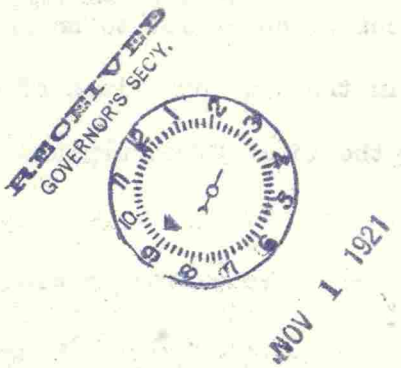

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COPY

October 29, 1921.

PERSONAL

Dear Sir:

I have read with interest and amazement the editorial which appeared in the New York Times of yesterday under the title of "Treasury and Money Market". It is so confused, as to both facts and reasoning, that I think it would be helpful if you would personally ask the editorial writers who deal with financial subjects to give some further study to the situation. It might perhaps be worth while to arrange a conference with the Governor of the Federal Reserve Bank of New York, or I should personally be glad to go over the matter with you when I next come to New York.

The fundamental confusion appears to lie in the idea that the Treasury is borrowing too cheaply, and that if the Treasury is able to borrow cheaply other borrowers will not be able to get the necessary funds. As a matter of fact, the reverse is true. The Treasury is not increasing its aggregate borrowings, but is constantly reducing them, and its borrowings are not on an artificial basis. Treasury certificates are placed nowadays on a straight investment basis, and are well-established as the premier short-term investment, combining safety with absolute liquidity. The certificates are particularly attractive for the investment of idle funds. The situation is not in any way comparable, therefore, to the offerings made during the war period, when the Government's debt was mounting and great masses of Treasury certificates had to

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be sold at frequent intervals to the banks, to some extent in reliance on the discount facilities afforded by the Federal Reserve Banks. The outstanding amount of Treasury certificates is now about $2,000,000,000, and is almost all in the hands of investors. According to the latest Federal Reserve Board statements, for example, less than $20,000,000 of certificates are pledged with the Federal Reserve Banks, and only $107,000,000 are held by the reporting member banks of the Federal Reserve System. There is a strong and active open market for all outstanding issues of Treasury certificates and notes, and the rates quoted in the open market fully justified the lower rates on the new offering. The successful sale of the current offering of Treasury certificates (which is already over three times subscribed) is, in fact, one of the most helpful and constructive developments of recent months, indicating as it does a somewhat lower level of interest rates and better market conditions for both Liberty bonds and Victory notes and other high-grade securities.

It is not true, incidentally, that "officials explain that the lower rates are due to the state of the money market", as stated in your editorial. I understand that this statement was carried in the Associated Press despatches, but, as is frequently the case when "officials" are quoted, it was quite without foundation and probably represented the views of the newspaper writer. No official statement was made except the formal announcement of the issue, which was published without comment. In any event,

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the "money market" should not be taken to mean the call money market. The rate on Treasury issues does not depend upon the call money rate, and nowadays has but little relation to the call money rate. The call money rate is determined by rather different factors, and is no index to the certificate rate.

Very truly yours,

(signed) S. P. Gilbert, Jr.

Adolph S. Ochs, Esq.,
c/o The New York Times,
New York, N. Y.

SPG:SMG

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Federal Reserve Bank of St. Louis

THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

READ AND NOTED,
B. S.

November 3, 1921.

My dear Governor:

I received your letter of October 31, 1921, enclosing a copy of a letter of introduction which you have given to Mr. Eigo Fukai, Deputy Governor of the Bank of Japan. I shall be glad to see Mr. Fukai and to extend to him every possible courtesy during his stay in Washington.

Very truly yours,

S. P. Gilbert Jr.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N.Y.

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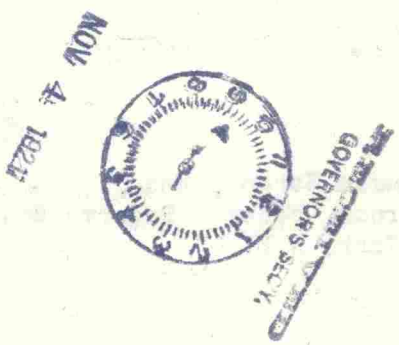

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ACKNOWLEDGED
DEC 7 - 1921
F. R. B.

THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

December 5, 1921.

Loose in file [See 78 h file] 101.1

My dear Governor:

If you have not already seen it, the enclosed copy of the address of Sir H. Strakosh to the Second Assembly Commission o f the League of Nations on the work of the Financial Committee, may be of interest. It is taken from the Financial News (London), of September 26, 1921, and contains a good deal of sound doctrine on the question of "stabilization of exchange". There is also enclosed a copy of the recommendations of the International Financial Conference at Brussels to which reference is made in the address.

Sincerely yours,

S. P. Gilbert, Jr.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

on subject of "Exchanges"

2 enclosures

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DEC 9 - 1921

THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

December 7, 1921.

My dear Governor:

I am sending you separately a copy of the Secretary's Annual Report to Congress on the Finances, which I think you will find of real interest. The Report with its exhibits gives a pretty comprehensive account of the activities of the Treasury during the past year, and at the same time presents the Treasury's views on the most important financial questions now pending. I should be glad to arrange to furnish such additional copies of the Report as you may desire for the use of your organization.

Very truly yours,

S. P. Gilbert Jr.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N.Y.

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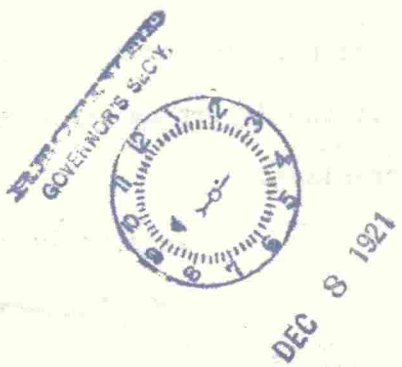

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THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

READ AND NOTED, B.S.

December 14, 1921.

My dear Governor:

I received your letter of November 1, 1921, with the enclosed memorandum from Mr. Francis Oakey and other correspondence, as to the experience and qualifications of Mr. Thomas R. Lill, who is an applicant for a post in the Philippines. I have been glad to bring the papers to the attention of Major-General McIntyre, Chief of the Bureau of Insular Affairs, within whose jurisdiction these matters lie. I understand that there are still one or two vacancies in the Philippines, and that the Secretary of War, who would make the appointments, has the matter under consideration. I have asked General McIntyre to let me know if any further information is desired.

Sincerely yours,

S. D. Gilbert

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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ACKNOWLEDGED
DEC 19 1921

THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

GENERAL FILES
DEC 20 1921
FEDERAL RESERVE BANK
OF NEW YORK

December 17, 1921.

Dear Governor Strong:

Referring further to your letter of November 1, 1921, and my reply of December 14, 1921, concerning Mr. Thomas R. Lill, I enclose for your information a copy of a letter of December 15, 1921, addressed to me by General McIntyre.

Sincerely yours,

S. D. Wallace

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

1 enclosure

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GOVERNOR'S SEC'Y.

DEC 19 1921

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Federal Reserve Bank of St. Louis

C O P Y

WAR DEPARTMENT
Bureau of Insular Affairs
Washington

December 15, 1921.

Hon. S. P. Gilbert, Jr.,
Under Secretary of the Treasury,
U. S. Treasury Department.
Dear Mr. Secretary:

I have your letter of December 15th, with inclosures, from which it appears that Mr. Thomas R. Lill wishes to be considered for the position of Auditor in the Philippine Islands.

Mr. Lill was formerly in the Philippine service and is certainly well equipped for this position. Unfortunately, however, the position has but recently been filled; the appointee, Mr. Edward M. Fullington, is just about arriving in Manila now. I am, however, taking the liberty of transmitting your letter, with its inclosures, to General Wood, who might later find that he can utilize Mr. Lill's services in some appropriate capacity.

Very sincerely,

(Signed) Frank McIntyre,

FRANK McINTYRE,
Chief of Bureau.

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Federal Reserve Bank of St. Louis

C O P Y

The Undersecretary of the Treasury

January 31, 1922.

Dear Mr. Case:

I have received your telegram of this date in which you suggest that the Treasury request the other Federal reserve banks to make arrangements for temporary advances to dealers against Victory notes on the same basis as against Treasury certificates, and think well of the suggestion. I am asking Governor Harding for a statement of the views of the Board before actually making such a request of any of the other Federal reserve banks.

Very truly yours,

(Signed) S. P. Gilbert, Jr.

Mr. J. H. Case,
Deputy Governor, Federal Reserve Bank,
New York, N. Y.

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THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

READ AND NOTED

February 13, 1922.

My dear Governor:

I have your letter of February 9, 1922, about former Governor Van Zandt, and shall be glad to see whether he could be of service in the Philippines. As you know, the Treasury has no control whatever over Philippine finances, and can only make suggestions to the Secretary of War. I gather that General Wood is attempting to carry out a fairly comprehensive program of banking and financial reform, but the Treasury's information comes chiefly from the newspapers and I do not know whether the Bureau of Insular Affairs or the Philippine Government expect to take on any more expert advisers. I have a good opinion of Mr. Van Zandt and shall be glad to stir things up a little and let you know whether there is any possibility of using him out there.

Very truly yours,

S. P. Gilbert, Jr.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

ACKNOWLEDGED
FEB 18 1922
R. S.

February 17, 1922.

Dear Governor Strong:

I think you will be interested in the enclosed copy of a letter dated February 15, 1922, which I have received from General McIntyre, as to the possibility of using former-Governor Van-Zandt in the Philippines.

Sincerely yours,

S. D. Gilbert

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

1 enclosure.

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(COPY)

WAR DEPARTMENT
Bureau of Insular Affairs
WASHINGTON

February 15, 1922.

Hon. S. P. Gilbert, Jr.,
The Undersecretary of the Treasury,
U. S. Treasury Department.

Dear Mr. Secretary:

I thank you very much for your recommendation of Mr. Van Zandt. I shall take the matter up with the Governor General immediately. While we have no call on hand for a man in the Bank, I should think that he could be used to advantage.

Very sincerely,

(Signed) Frank McIntyre

Chief of Bureau.

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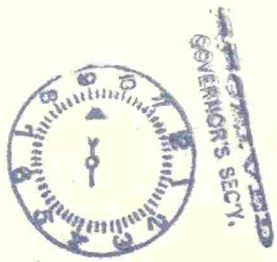

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ACKNOWLEDGED
MAR 15 1922
R. S.

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

March 11, 1922.

My dear Governor:

Referring further to the possibility of an appointment in the Philippine Islands for Mr. Thomas R. Lill, I enclose for your information a copy of a letter of January 26, 1922, which I have received from the Bureau of Insular Affairs of the War Department, addressed to that Bureau by the office of the Governor-General at Manila in the matter, which is self-explanatory.

Very truly yours,

S. P. Gilbert

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

1 enclosure

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GOVERNOR'S S.C.Y.
MAR 14 1922

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COPY

OFFICE OF THE GOVERNOR-GENERAL

of the Phillipine Islands.

Manila, January 26, 1922.

Sir:

Referring to indorsement from your office of December 15, 1921, transmitting a letter from Honorable S. P. Gilbert, Jr., Under Secretary of the Treasury, U. S. Treasury Department, recommending Mr. Thomas R. Lill for appointment in the Philippine civil service, I regret to advise that there is at present no suitable vacancy in which the services of Mr. Lill could be utilized. His application has been placed on file for future reference.

Very respectfully,

(Signed) C. W. Franks,

Secretary to the
Governor-General.

The Chief,
Bureau of Insular Affairs,
War Department, Washington, D. C.

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THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

ACKNOWLEDGED
MAY 17 1922

May 16, 1922.

Dear Governor Strong:

For your information and referring further to our previous correspondence of last February on the subject, I enclose a copy of a letter of May 13, 1922, addressed to me by General McIntyre concerning the possibility of an appointment in the Philippine National Bank for former Governor Van Zandt.

Sincerely yours,

S. P. Gilbert

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

1 enclosure

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COPY

WAR DEPARTMENT

Bureau of Insular Affairs

May 13, 1922.

Hon. S. P. Gilbert, Jr.,
Under Secretary of the Treasury,
Treasury Department,
Washington, D. C.

Dear Mr. Secretary:

With reference to your letter of February 13th and my reply of February 15th, last, in the interest of Mr. Van Zandt, I regret very much to say that in a communication just received from the Governor General of the Philippine Islands we are informed that there is at present no vacancy in the Philippine National Bank to which this gentleman could be appointed. His name, however, has been placed on the waiting list, and he will be promptly notified in the event his services can be utilized at any time in the future.

Very sincerely,

(Signed) Frank McIntyre,
Chief of Bureau.

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ACKNOWLEDGED
MAY 25 1922
B. S.

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

May 20, 1922.

PERSONAL AND CONFIDENTIAL

My dear Governor:

I have your letter of May 19, 1922, as to the possibility of the payment of interest by the British Government on its debt to the United States Government. As I understand it, the British budget for the current fiscal year includes an item for the payment of interest this year in October or November, and the Treasury's estimates for the fiscal year 1923 have already taken this into account, as you will notice from the enclosed copy of the Secretary's letter of April 14, 1922, to Senator McCumber and the exhibits thereto attached. Even with this interest there is a heavy indicated deficit for 1923, and I do not see that this payment in these circumstances would have much bearing on the bonus bill.

Very truly yours,

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

1 enclosure

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MAY 22, 1922

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GOVERNOR'S SEC'Y

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

June 14, 1922.

PERSONAL AND CONFIDENTIAL

My dear Governor:

I received your letter of June 12, 1922, with reference to the Federal Reserve Board. I had already spoken to the Secretary about Mr. Howard, and understand that last week he recommended him to the President. I do not know exactly what the outcome will be, but I think that Howard would be a first-rate man for the place and that his appointment would be appropriate from every point of view. The Farm Bureau Federation is by all odds the best agricultural organization and I should think that the appointment of its head would be exceedingly well received by farmers throughout the country. From what I can learn I gather that he would be willing to accept the appointment.

Very truly yours,

S. P. Gilbert

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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JUN 16 1922

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READ AND NOTED, B. S.

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

FILES DIV
JUN 23 1922
FEDERAL RESERVE BANK
OF NEW YORK

June 22, 1922.

PERSONAL.

My dear Governor:

I received your letter of June 19, 1922, and have sent to the Secretary your letter of the same date addressed to him, as to the organization of the Treasury Department. I know that the Secretary will appreciate your letter, and that he is receiving similar letters from a good many people, including some of the Congressmen who signed the petition. The performances of last week have, on the whole, been helpful, and the reaction to the Secretary's statement has been so good that I hope the propaganda for political appointments in the Treasury will now disappear.

Very truly yours

S. P. Gilbert

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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ACKNOWLEDGED
JUN 27 1922

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

June 26, 1922.

PERSONAL

My dear Governor:

I am quite definitely committed to a speech before the Montana Bankers Association at its annual convention which begins August 16th, and have been considering what subject would be most appropriate. I am rather inclined to make some brief, but pointed, remarks on the subject of agricultural credits, with particular reference first, to constructive suggestions for meeting the actual needs of agriculture, and, second, to some of the fantastic theories now afloat, from Edison and Ford with their "energy currency" to General Coxey and Senator Ladd, with their "free money" theory of financing everything from the merchant marine to the soldiers' bonus. I should appreciate it if you would let me know some time at your convenience whether you think it is worth while to launch into a discussion of this kind, and whether you have any suggestions to offer.

Very truly yours,

S. P. GILBERT, Jr.,
Under Secretary.

Benajmin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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ACKNOWLEDGED
AUG 4 - 1922
F. R. B.

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

July 22, 1922.

My dear Governor:

I had intended before this to thank you for your helpful letter of June 27, 1922, about my proposed Montana speech. I have not yet made up my mind to do it, but probably shall make a try at it if it turns out that I can get away from Washington for the latter part of August. A speech on the subject suggested would, of course, involve controversial questions, but I doubt if it would contain very much gunpowder even though pretty plain-spoken. Among other things, I have a theory that the people are not such a pack of fools as some of their self-constituted leaders give them credit for, and that a little straight talk now and then is not at all out of the way.

Very truly yours,

S. P. Gilbert, Jr.

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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THE UNDERSECRETARY OF THE TREASURY

WASHINGTON

ACKNOWLEDGED

JUL 31 1922

CONFIDENTIAL.

July 27, 1922.

My dear Governor:

I have received your letter of July 26, 1922, and am glad to have the enclosed statement showing the amount of borrowings from the Federal Reserve Bank of New York by weeks from November 30, 1921, to date, divided so as to show loans to all member banks, loans to all New York City banks, and loans to so-called Wall Street banks.

I hope that this statement, together with the statement giving daily figures as to borrowings from the Federal Reserve Bank of New York, will dispose of the misunderstanding that has been created.

Very truly yours,

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
c/o Federal Reserve Bank,
15 Nassau Street,
New York, N. Y.

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(COPY)

July 27, 1922.

Dear Mr. President:

In view of our conversation of the other day I am enclosing for your information copies of (1) a statement showing borrowings from the Federal Reserve Bank of New York by weeks from November 30, 1921, to July 19, 1922, arranged so as to show borrowings by all member banks, with separate figures for New York City banks and Wall Street banks, and (2) a statement showing daily borrowings from the Federal Reserve Bank of New York from November 3, 1921, to July 24, 1922, giving only the figures for borrowings by Wall Street banks. These statements indicate the downward trend in borrowings from the Federal Reserve Bank of New York and show that there have been many days within the last few months when there were no borrowings whatever from the Federal Reserve Bank by the so-called Wall Street banks. Borrowings from the Federal Reserve Bank of New York are, generally speaking, at an unusually low point, and this reduction in loans has been a matter for much comment in financial circles.

The so-called Wall Street banks, which make loans to stock exchange brokers, had substantially liquidated their borrowings at the Federal Reserve Bank some months ago, and their

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liquidated condition was among the most important developments which enabled the Federal Reserve Bank last month to reduce its discount rate to 4 per cent. There are, of course, fluctuations from time to time in the amount of their borrowings, as appears from the enclosed statements, but these fluctuations have been due largely to seasonal requirements, as for example, unusual currency demands for over holiday periods, to special movements of deposits to and from the interior, and to temporary requirements arising from the financing of large security issues or Treasury withdrawals. As a matter of fact, Wall Street banks have surplus reserves on deposit with the Federal Reserve Bank almost as frequently as they have loans at the Federal Reserve Bank.

Faithfully yours,

(Signed) A. W. Mellon

Secretary.

The President,

The White House.

2 enclosures.

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THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

ACKNOWLEDGED
AUG 3 - 1922

August 1, 1922.

CONFIDENTIAL

My dear Governor:

I received your letter of July 31, 1922, with further reference to borrowings from the Federal Reserve Bank of New York, and am glad to enclose for your information in this connection a copy of the Secretary's letter of July 27, 1922, to the President. I do not see any reason why this should not remove the misapprehension that was created as to the situation in New York.

Very truly yours,

S. P. Gilbert

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

1 enclosure

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AUG 2 - Rec'd
11 30 am

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THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

August 3, 1922.

CONFIDENTIAL

My dear Governor:

I acknowledge with thanks the receipt of your letter of August 2, 1922, with the attached release from the Cope News Service, with respect to the activities of Mr. Gaston B. Means. I had already received a copy of this release and it is having attention. Means, as you know, has a long and juicy history.

Very truly yours,

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N.Y.

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8435 FH

AUG 4 - Rec'd

9:45 am

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

August 5, 1922.

PERSONAL AND CONFIDENTIAL.

My dear Governor:

I received your letter of August 3, 1922, with respect to the discount rate at the Federal Reserve Bank of New York and the investment policy of the bank. I am bringing your letter to the Secretary's attention.

The investment account of the Federal Reserve Banks, particularly the Federal Reserve Bank of New York, now seems to be well in hand, and, properly administered, offers a relatively effective means of steadying the money market and mitigating the evil influences of the large imports of gold. I think that the program which the Federal Reserve Bank of New York is carrying out is fully understood at the Treasury, and that you have nothing to fear in so far as the Treasury is concerned. I cannot say as much for the man who appears to be the leading possibility for appointment as Governor of the Federal Reserve Board in case Governor Harding should not be reappointed. If anything like that should happen I think that the Secretary and I will have to begin attending meetings of the Federal Reserve Board.

Very truly yours,

S. P. Gilbert

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
c/o Federal Reserve Bank,
15 Nassau Street,
New York, N. Y.

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GOVERNOR'S SEC'Y
AUG 8 1922

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

August 5, 1922.

PERSONAL.

My dear Governor:

I received your letter of August 4, 1922, and thank you for sending me the enclosed memorandum on the general subject of inflation. This memorandum will be helpful in connection with my Montana speech, if I should finally decide to make it. I do not propose in any event to be drawn into a discussion of Treasury policy during 1919-1920.

Very truly yours,

S. P. Gilbert

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
c/o Federal Reserve Bank,
15 Nassau Street,
New York, N. Y.

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FILING DEPT.
AUG 11 1922
FEDERAL RESERVE BANK

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

August 10, 1922.

Dear Mr. Case:

I acknowledge with thanks the receipt of your letter of August 9, 1922, in regard to the present whereabouts of Mr. Charles N. Fowler.

Very truly yours,

S. P. Gilbert

S. P. GILBERT, Jr.,
Under Secretary.

J. H. Case, Esq.,
Deputy Governor,
Federal Reserve Bank,
New York, N. Y.

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ACKNOWLEDGED
AUG 24 1922
B. S.

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

PERSONAL AND CONFIDENTIAL.

August 21, 1922.

My dear Governor:

Did you see the item entitled "Crissinger for Reserve Board" which appeared in the New York Tribune for Friday, August 18th, on the financial page. I am afraid this will be taken as representative of financial sentiment in New York.

Very truly yours,

S. P. Gilbert

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
c/o Federal Reserve Bank,
15 Nassau Street,
New York, N. Y.

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COMPTROLLER'S OFFICE
AUG 22 1922

Personal

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

August 25, 1922.

PERSONAL AND CONFIDENTIAL

My dear Governor:

I received your letter of August 24, 1922, with reference to the Federal Reserve Board. The matter is not yet settled and I think that the publicity of which you speak is mostly of the trial balloon variety.

Very truly yours,

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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GOVERNOR'S SEC'Y
AUG 28 1922

To Mr. Alex. Van Fest
17 Battery Place

Mr. Oscar B. Pollak
Hotel Ansonia -

Managing Director
Wiener Bank-Verein
Vienna

...RY OF THE TREASURY
...INGTON

SEP 25 1922
B. S.

September 21, 1922.

PERSONAL.

My dear Governor:

This will introduce to you Mr. Oscar B. Pollak, Managing Director of the Wiener Bank-Verein, and Mr. Rudolf Hahn, of the Foreign Department of the same bank, who called on me to-day with a note from a friend of mine who has spent several years in Austria. Director Pollak is in this country chiefly in order to negotiate a settlement of the krone liabilities of Austrian banks to American banks, and I think you will be interested not only in what he has to say on this matter but also in his comments on the general situation in Austria.

Very truly yours,

S. P. Gillett

Benjamin Strong, Esq.,
c/o Federal Reserve Bank,
15 Nassau Street,
New York, N. Y.

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ACKNOWLEDGED
SEP 29 1922

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

PERSONAL.

September 26, 1922.

My dear Governor:

I received your letter of September 25, 1922, and am glad to know about your talk with Mr. Pollak of the Wiener Bank-Verein. I hope that Mr. Pollak has gotten out of his head the idea that his proposals to American banks for the settlement of the krone liabilities of the Austrian banks need to have some sort of official sanction. These settlements are, of course, matters for private negotiation, with which the Treasury is not concerned, and I explained this to Mr. Pollak when he called at the Treasury, though I felt when he left that he still harbored some illusions on the subject.

I am trying now to find out from the Alien Property Custodian what portion of the money and property held in his custody represents Austrian assets as distinguished from German assets. This may be difficult to determine, but it seems to me that it might be helpful in this situation, particularly in working out possible measures for the relief of Austria, to know as nearly as possible what Austrian assets are impounded in this country.

Very truly yours,

S. P. Gilbert, Jr.

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
c/o Federal Reserve Bank,
15 Nassau Street,
New York, N. Y.

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THE UNDERSECRETARY OF THE TREASURY

WASHINGTON

PERSONAL.

September 26, 1922.

My dear Governor:

I received your letter of September 25, 1922, and am glad to know about your talk with Mr. Pollak of the Wiener Bank-Verein. I hope that Mr. Pollak has gotten out of his head the idea that his proposals to American banks for the settlement of the Prime liabilities of the Austrian banks need to have some sort of official sanction. These settlements are, of course, matters for private negotiation, with which the Treasury is not concerned, and I explained this to Mr. Pollak when he called at the Treasury, though I felt when he left that he still harbored some illusions on the subject.

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Very truly yours,

S. P. Gilbert, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
c/o Federal Reserve Bank,
15 Nassau Street,
New York, N. Y.

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SEP 29 1922

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THE UNDERSECRETARY OF THE TREASURY

WASHINGTON

October 2, 1922.

PERSONAL AND CONFIDENTIAL.

My dear Governor:

I have your letter of September 29, 1922, with further reference to the efforts of Mr. Oscar Pollak to settle the liabilities of the Austrian banks to banks in this country. The situation at present is somewhat confused, but I imagine that the Mixed Claims Commission, to hear claims against enemy governments, may throw some light on the chances of a settlement through the Department of State or the Alien Property Custodian. I am not myself a believer in the theory embodied in the Treaty of Versailles, that the assets of individual citizens of enemy governments should be made subject to claims against the enemy governments themselves, and it has not been the traditional policy of this Government to proceed on any such theory. I do not know what will be done in the existing situation, and that is a question which Mr. Pollak and others interested should pursue through the Department of State and the Alien Property Custodian rather than through the Treasury. As I understand it, moreover, the claims which Mr. Pollak is endeavouring to settle are not claims against the Austrian Government but claims against Austrian banks. The Trading-with-the-Enemy Act already provides machinery whereby creditors of persons whose assets are impounded in the hands of the Alien Property Custodian may proceed against the money or property held by the Custodian in order to obtain satisfaction of their claims.

Very truly yours,

S. P. Gilbert, Jr.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

S. P. GILBERT, Jr.,
Under Secretary.

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THE UNDERSECRETARY OF THE TREASURY

WASHINGTON

October 2, 1922.

RECEIVED BY GOVERNOR'S SEC'Y

OCT 4 1922

PERSONAL AND CONFIDENTIAL.

My dear Governor:

I have your letter of September 29, 1922, with further reference to the efforts of Professor Pollak to settle the liabilities of the Austrian banks to banks in this country. The situation at present is somewhat confused, but I imagine that the Mixed Claims Commission, to hear claims against enemy governments, may throw some light on the chances of a settlement through the Department of State or the Alien Property Custodian. I am not myself a believer in the theory embodied in the Treaty of Versailles, that the assets of individual citizens of enemy governments should be made subject to claims against the enemy governments themselves, and it has not been the traditional policy of this Government to proceed on any such theory. I do not know what will be done in the existing situation, and that is a question which Mr. Pollak and others interested should pursue through the Department of State and the Alien Property Custodian rather than through the Treasury. As I understand it, moreover, the claims which Mr. Pollak is endeavouring to settle are not claims against the Austrian Government but claims against Austrian banks. The Trading-with-the-Enemy Act already provides machinery whereby creditors of persons whose assets are impounded in the hands of the Alien Property Custodian may proceed against the money or property held by the Custodian in order to obtain satisfaction of their claims.

Very truly yours,

S. F. Gilbert

S. F. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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ACKNOWLEDGED
OCT 19 1922

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

PERSONAL AND CONFIDENTIAL

October 17, 1922.

My dear Governor:

I have assumed, from some of our recent correspondence about holdings of Government securities by the Federal Reserve Banks, that the Federal Reserve Bank of New York was considering a higher buying rate on bills purchased in the open market.

I notice from the statement of the condition of the Federal Reserve Banks that a large part of the liquidation in holdings of Government securities is being offset by purchases of bills, which suggests the question as to how far this too may be artificial and that with changing money conditions it might be advisable to mark up the rate.

Very truly yours,

S. P. Gilbert

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
c/o Federal Reserve Bank,
15 Nassau Street,
New York, N. Y.

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THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

October 20, 1922.

My dear Governor:

I received your letter of October 19, 1922, and note with interest that you have been gradually increasing your buying rate on bills purchased in the open market. The change to 3¾ per cent I imagine came on the very day of my letter of October 17th, and I should think that the result would be a better distribution of bills in the market.

I expect to be in Washington all of next week, and am looking forward to seeing you toward the end of the week. The Secretary will be here at least until Friday afternoon, and I hope there will be opportunity for a long talk with him.

Very truly yours,

S. P. Gilbert

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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Confidential

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

October 23, 1922.

My dear Governor:

I have been trying to get some information as to the Austrian property held by the Alien Property Custodian, but without much success. It appears that the total Austro-Hungarian property in the hands of the Custodian amounts to about $24,600,000 (as against about $274,600,000 of German property), but the Custodian has no way of telling the present citizenship of the owners and is therefore unable to determine how much of the Austro-Hungarian property belongs to citizens of Austria as at present constituted and how much to citizens of the succession States.

Very truly yours,

S. P. Gilbert Jr.

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

ACKNOWLEDGED
NOV 3 1922
R. S.

CONFIDENTIAL

November 1, 1922.

My dear Governor:

I received your letter of October 27, 1922, and have been interested to know that the market rate for bills is now squarely four per cent. I take it from the reports that this is bringing about a better distribution of the bills in the market. As for the discount rate I think that the pressure which is being applied through the liquidation of Federal Reserve Bank investments in Government securities is proving even more effective than any change in the discount rate since it reduces the supply of money in the market and incidentally makes the existing discount rate more effective than it has been in the past.

The Secretary and I both think that the best way to handle the McAdoo speeches is to ignore them. The Treasury and the Federal Reserve Board both want to keep out of politics and I can see nothing but trouble in starting a political controversy with McAdoo about matters upon which he can now speak politically and without responsibility. There is certainly no point in starting a McAdoo-Mellon controversy as a companion to the Harding-Heflin controversy. In so far as the politics of the business is concerned, the Republican National Committee has already issued a statement in answer to McAdoo, entitled "W. G. McAdoo Convicts Himself of Down-right Misrepresentation", a copy of which is enclosed for your

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information. The discussion is pretty much in the air, but that seems to be characteristic of political discussions.

Very truly yours,

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
c/o Federal Reserve Bank,
15 Nassau Street,
New York, N. Y.

1 enclosure.

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W. G. MCADOO CONVICTS HIMSELF OF DOWNRIGHT MISREPRESENTATION

Charges Made at Butte, Montana, Regarding Deflation of Farm Prices Given Lie by Article Which He Himself Wrote in December, 1920, Blaming Federal Reserve Board of That Time With Ruining Farmer.

WASHINGTON. ———William G. McAdoo, former Secretary of Treasury, in a recent speech at Billings, Montana, was quoted by the Associated Press as follows:

"The reduction of farm credits by the present administration in cooperation with the powerful influences of Wall Street and the "blighting effects of President Harding's policies of deflation" have reduced the country "from a condition of unexampled prosperity to a state of appalling disaster."

The Associated Press report of Mr. McAdoo's meeting states:

"Mr. McAdoo asserted that the restriction of farm credits under the Republican administration had forced the sale of farm products and live stock to such an extent that the value of those products for the entire country have been reduced from $14,000,000,000 in 1919 to $5,700,000,000 in 1921."

It has been repeatedly shown from the records that the policy of deflation of farm credits was a policy put into effect by the Federal Reserve Board when that Board was under the complete domination of the Democratic administration,—when every member of the board except one was a Democrat. During the period when farm credits were probably subjected to the mose severe deflation; that is, the period January to March, 1920 inclusive, the membership of the Federal Reserve Board was solidly Democratic.

The deflation of farm credits had been completed by the time the Republican administration came into power in March, 1921. The shrinkage in value above referred to by Mr. McAdoo was an accomplished fact by March, 1921. The agricultural sections of the country were facing bankruptcy in March, 1921. From that month on, the situation improved.

However, the best testimony to give Mr. McAdoo's Montana speech the lie is an article which Mr. McAdoo himself wrote under his own signature in December, 1920. It appeared in the "Manufacturers Record" published at Baltimore, Maryland, in the issue of December 23, 1920. At that time Mr. McAdoo said, under his own signature, that the farmers "are now" suffering collossal losses as a result of the too drastic deflation which had been put into effect by the Federal Reserve Board. At that time, Mr. McAdoo said: "In many parts of the country, especially in the agricultural districts, credit is almost entirely wanting" and "great losses are being sustained because of the restriction of credit."

Mr. McAdoo in this article said he thought the Federal Reserve Bank rates should be reduced. They were not reduced, however, until the Harding administration came into power. At that time the Federal Bank discount rate was 7½ per cent, to which it had been raised by the Federal Reserve Board under Democratic domination. Immediately after the Harding administration came into power, the first reduction in this discount rate was made and it was steadily reduced until it reached the present rate of 4½ per cent. This was the rate in December, 1919, when the Democratic Federal Reserve Board began to increase the rate in order to force deflation. The article which Mr. McAdoo contributed to the "Manufacturers Record" December 23, 1920, in which he gives the lie direct to Mr. McAdoo's speech in Montana October 18, 1922, is as follows:

"As I see the situation, the country cannot look with indifference upon the distressing situation in which the farmers find themselves because of the tremendous shrinkage in the value of agricultural products. **We cannot excuse inaction nor dismiss the matter with a mere observation that deflation is necessary and that farmers must take their medicine along with the rest of the country.**

"The farm industry is basic to the life of the nation and possesses a superior claim to consideration, not alone because its prosperity is our best protection, but also because the farmer, by the very nature of his business, is more exposed to adverse influences and has less protection against them than any other class. The bulk of his crop matures at the same time and if forced upon the market all at once [illegible] a short period he may not realize even [illegible]ost of production.

[illegible] have a chance to make a fair profit he must have a credit to carry his crop for a reasonable time. He must have ample, economical and prompt railroad transportation to get his crop to market at the times when he can sell advantageously, and he must have sufficient, convenient and reasonably cheap storage facilities for the conservation of his crop while waiting for a favorable market.

"It is in the highest degree to the interest of the people as a whole that the farmers shall have these facilities and opportunities so that speculation and greed may not thrive on his misfortune, on the one hand, and that the consumer may not suffer the extortion of profiteers on the other.

"When colossal losses like those the farmers are now sustaining overtake them, every line of industry suffers, factories close, business shrinks, labor is thrown out of employment, and confidence is seriously shaken.

"We are already experiencing these unhappy consequences.

"Of course, prices in the United States could not be kept permanently on an inflated and artificial basis. Deflation was necessary and inevitable, but the processes of deflation are frequently more dangerous than the processes of inflation. It is easier to climb a tree than to come down. For this very reason the readjustments through which all industry and business are now going must be dealt with intelligently and eased in every reasonable way. It is the imperative duty of those in civil authority and of those who control credit to exercise their powers so as to prevent needless distress and preserve confidence.

"I am frank to say that I think that the policies thus far pursued with respect to credits have been too drastic, but whether or not I am right, I am sure that the situation should now be reviewed in the light of existing conditions. A more liberal policy about credits should be put into effect immediately. I think that the **reserve bank rates could be prudently reduced, and that member banks could be safely encouraged to make loans on agricultural products** and to business generally on **reasonable time to those who can give adequate security,** and that the whole situation would be beneficially affected by this procedure.

"Every intelligent person sympathizes with the effort to prevent speculation and the use of credit for purposes not beneficial to the general interest, but a wise discrimination should be exercised, and **certainly the primary producer like the farmer should not be forced to bear the brunt of the sacrifice.**

"In many parts of the country, especially in the agricultural districts, credit is almost entirely wanting, and in many lines of legitimate business and industry great losses are being sustained because of the restriction of credits.

"The point I wish to impress is that deflation has been carried so far and with such rapidity that we must now reconsider the situation, make an effort to prevent further distress and suffering, and bring about a revival of industry and confidence."

POSTAL EMPLOYES MAY ENJOY LOCAL AND STATE HOLIDAYS

WASHINGTON. ———A sweeping order giving postmasters in every town and city in the country authority to release postal workers from their duties in case of total or partial suspension of business in their particular communities on account of local or state holidays has been issued by Postmaster General Work.

The order is unprecedented in the history of the Post Office department. At present only national holidays are observed throughout the postal system of the United States. In case of state or local holidays, which sometimes run as high as fifteen and twenty a year, postal employes have been compelled to remain at their places of work although little or no service is required of them. The new order eliminates the unnecessary detention of workers when stores and business houses are closed for these occasions and business is suspended in their communities. Thousands of postal employes are expected to be released from their duties upon various days during the year as a result of the order.

CORRECT DEFINITION

Mr. Cox on his return from Europe says he found the league of nations "a working force." The home brewer would say at once that "Jimmie" is right; it's all a ferment.—Sioux City Journal.

GREAT SAVINGS MADE BY POSTAL DEPARTMENT IN THIS ADMINISTRATION

Deficit Reduced $20,000,000 by Introduction of Business Methods

WASHINGTON. ———No department of government is as close to the people as Post Office department. It is the largest b[illegible]ness department within the government. [illegible]hat reason its expenses have always beer[illegible]ceedingly high. The memory of man runneth not back to the time when there was not a deficit in the Post Office department. Up until the present administration took charge, there was little or no effort made to keep this deficit within bounds. In this regard the Post Office department was no different from other departments, where the incurring of deficits was considered to be quite a routine thing.

Under this administration, the Post Office department, in common with all other executive agencies of the government, has made strenuous efforts to reduce its operating expenses. It is gratifying to know these efforts have been crowned with success. The reports of the Post Office department show the deficit for the year ending June 30, 1922, was $21,000,000 less than the Post Office deficit for the year ending June 30, 1921.

The public may be interested in knov[illegible] how some of these savings were accomplis[illegible] They were made through the introductio[illegible] business methods in government and in[illegible] other way. The Post Office department, u[illegible] the present administration, reorganized 10[illegible] the largest postoffices in the country, w[illegible] conduct 65 per cent of the total postal business. In one of these offices alone the reorganization affected an annual saving of $300,000 witho[illegible] impairing in the least its service.

Another saving has been accomplishe[illegible] the decentralization of administrative v[illegible] Everything that can be done within a stat[illegible] postal business of that state is done [illegible] Formerly, a postmaster, whether 25 m[illegible] 2500 miles from Washington, sent all [illegible] quiries, complaints, etc., to the [illegible]as. headquarters. This required the maint[illegible] of a tremendous overhead at Washingto[illegible] having this work at state centers withou[illegible] increase in expense there, the Post Office [illegible] partment has been able to release 740 [illegible] ployes at Washington. This reduction in p[illegible] roll, accompanied by other overhead redu[illegible] tions, save over $1,000,000 in the last year.

Another business method which was introduced was in the purchase of supplies. Sup[illegible] plies were standardized, unfavorable contrac[illegible] were abandoned, and other innovations inaug[illegible] rated which reduced the operating expenses [illegible] the supply department over $1,000,000. [illegible] this connection, the government cancelle[illegible] long-time contract for stamped envelopes [illegible] entered into a new contract which resulted in a saving upon that item alone of $6,276,000.

By reorganizing and systemizing railway mail service, a saving has been accomplished in that branch which will amount to $785,000 without impairing in the least the quality of the service.

These are but few of the illustrations of how the Post Office department in the present administration has cut its expenses $20,000,000 a year merely by the inauguration of business in government, an inauguration which was made without the enactment of a single new law by Congress. Previous Post Office administrations could have done the same had they been so disposed and possessed of the business ability to put the changes into effect.

LABOR OF ALL KINDS IN GREAT DEMAND IN ALL SECTIONS

WASHINGTON. ———According to reports received at the United States Employment Service, there is an actual shortage of common labor in practically every section of the country, and a demand for skilled labor that equals the supply. In the New England states the labor shortage is very pronounced, as is the shortage of farm labor in the middle Western territory. The reports show that for the month of September 31 out of 42 basic industries reported an increase in the number of employees and 29 of the 42 reported increase in the amount of payroll as compared with the month of August. It is no exaggeration to say that there is a job at good wages for every person who is willing to work. In fact, at no time since the peak of employment during the war period has labor been at such demand and at such high level of wages.

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READ AND NOTED,
B. S.

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

November 4, 1922.

CONFIDENTIAL

My dear Governor:

I received your letter of November 3, 1922, with further reference to possible statements about Federal Reserve policy. I think you may safely assume now that there will be no statements of an official nature on this subject, apart from the political statements that have already been made.

Very truly yours,

S. P. Gilbert

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N.Y.

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THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

ACKNOWLEDGED
DEC 8 1922

December 6, 1922.

Dear Governor Strong:

I received your letter of November 29, 1922, concerning the income tax returns of your physician, Dr. George D. Stewart, and have been glad to speak to Commissioner Blair about the matter. The Commissioner has handed me a memorandum in the case in which he states that it "is in process of audit, based on a supplemental report received from the Supervising Internal Revenue Agent at New York, N. Y., that the tentative net result indicates an overassessment of approximately $5,000.00, and that the certificates of overassessment will go forward for schedule about the 8th of this month."

I trust that this will be a satisfactory settlement of the matter.

Sincerely yours,

S. J. Gillett Jr.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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DEC 8 1922

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WT. 15 60M-9-21

FEDERAL RESERVE BANK
OF NEW YORK

TELEGRAM

PRIVATE WIRE—INCOMING

WIRE TRANSFER
DIVISION

RECEIVED
DEC 15 1922
FEDERAL RESERVE BANK
OF NEW YORK

103bd c Washn DC 110p 13

Strong

I have your telegram of today about Howard, which I have passed on to the Secretary for his information.

Gilbert

120p

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FORM 41-3 60M 4-10-22 B-18685

FEDERAL RESERVE BANK OF CHICAGO

INCOMING **TELEGRAM** **ORIGINAL**

Forwd to Mr Platten at 6:47 PM Blackstone Hot

247bdb

Washington Dec 14 22 720p

Benjamin Strong,

Care F R B Chicago (care MO)

I understand you are planning to leave Chicago on friday December 15th. Could you conveniently return via Washington?.

Gilbert

629p

CORR AND MAIL DIVISION

DEC 15 8 00 AM 1922

FEDERAL RESERVE

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ACKNOWLEDGED
JAN 8 1923
F. R. S.

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

PERSONAL AND CONFIDENTIAL.

January 6, 1923.

Dear Governor Strong:

I see from the Journal of Commerce of this morning that the Treasury is now the chief devil in the Federal Reserve Board situation. In case you do not know this, read what Dr. Willis has to say on the subject in his leading editorial entitled "Financial Leadership", as follows:

> "What are those conditions? Certainly not the meager salary that the places carry. The attraction of the work is found in the capacity to be of service, and that capacity will be granted only when our banking system is unshackled from the political side of government and especially from the Treasury Department. This is not because the Treasury is bad or its officials open to criticism, but because they are political appointees who necessarily and properly have their eyes on political conditions. The dictatorial attitude which they have assumed toward our banking system from its inception, entirely regardless of party, cannot be endured. It must be ended if the nation expects to get able and independent men of high quality as members of the Federal Reserve Board, or indeed as bankers under the direction of that Board.
>
> These are the facts in the situation. It is a case which has nothing whatever to do with the old controversies of "money trust," sectional prejudice, agricultural credit, or any of the others that have so long furnished party or class cries calculated to obscure the situation and to conceal the real issues at stake. There is no issue except that of the financial headship of this nation. We have the greatest resources in the world, and hence the greatest financial responsibilities. We need the best ability to bear them and to shape our conduct along national and international lines. How can we get it?
>
> The country calls for and demands the selection of capable financial minds to take charge of our banking system and to operate it in the interest of the whole community. That is the entire issue now involved in the Federal Reserve controversy."

I cannot escape the feeling that Dr. Willis is really

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complaining that he is no longer attached to the Federal Reserve Board, and that, incidentally, he rather suspects me of having had something to do with the severance of that connection.

Very truly yours,

S. P. Gilbert

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
c/o Federal Reserve Bank,
15 Nassau Street,
New York, N. Y.

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Federal Reserve Bank of St. Louis

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Very truly yours,

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Under Secretary.

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New York, N. Y.

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THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

FILES DIV.

RECEIVED
JAN 19 1923
J. H. C.

JAN 19 1923
FEDERAL RESERVE BANK
OF NEW YORK

January 18, 1923.

Dear Mr. Case:

I am enclosing my personal check payable to the order of the Federal Reserve Bank of New York in the amount of $11.89 to cover the cost of the railroad and pullman tickets you obtained for me on January 15, 1923.

Many thanks, again!

Very truly yours,

S. P. Gilbert Jr.

J. H. Case, Esq.,
Deputy Governor,
Federal Reserve Bank,
New York, N. Y.

1 enclosure.

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IMMEDIATE RELEASE. February 2, 1923.

The Funding Commission met this afternoon to consider the final details of the proposed plan for funding the debt of Great Britain to the United States. Ambassador Geddes was present.

The Commission decided to make the following recommendation to the President as a basis for settlement which it is understood will be accepted by the British Government:

SUMMARY

Principal of notes to be refunded - - - - - - - - - - - - - -	$4,074,818,358.44
Interest accrued and unpaid up to December 15, 1922, at the rate of 4 1/4% - - - - - - - - - - - - - -	629,836,106.99
	$4,704,654,465.43
Deduct payments made October 16, 1922, and November 15,1922, with interest at 4 1/4% thereon to December 15, 1922 -	100,526,379.69
	$4,604,128,085.74
To be paid in cash -	4,128,085.74
Total principal of indebtedness as of December 15, 1922, for which British Government Bonds are to be issued to the United States Government at par, - - - - - - - - - -	$4,600,000,000.00

The principal of the bonds shall be paid in annual instalments on a fixed schedule, subject to the right of the British Government to make these payments in three-year periods. The amount of the first year's instalment will be $23,000,000 and these annual instalments will increase with due regularity during the life of the bonds until, in the 62nd year, the amount of the instalment will be $175,000,000, the aggregate instalments being equal to the total principal of the debt.

The British Government shall have the right to pay off additional amounts of the principal of the bonds on any interest date upon 90 days previous notice.

Interest is to be payable upon the unpaid balances at the following rates, on December 15 and June 15 of each year:

3% semi-annually, June 15, 1923 - to December 15, 1932, inclusive,
3 1/2% " " " " 1933 - until final payment.

For the first five years one-half the interest may be deferred and added to the principal, bonds to be issued therefor similar to those of the original issue.

Any payment of interest or of principal may be made in any United States Government bonds issued since April 6, 1917, such bonds to be taken at par and accrued interest.

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THE UNDERSECRETARY OF THE TREASURY

WASHINGTON

February 6, 1923.

PERSONAL AND CONFIDENTIAL

My dear Governor:

I am enclosing for your ready reference a copy of the public statement released on February 2, 1923, summarizing the plan for the funding of the British debt to the United States. As you will notice, this summary includes several terms which are designed to give some flexibility to the payments and protect the exchanges against undue fluctuation, including particularly the provision for paying up to one-half of the interest for the first five years in bonds, the provision for making payment of either principal or interest in obligations of the United States issued since April 6, 1917, and the provision for making amortization payments in 3-year periods instead of strictly on an annual basis.

In the course of the negotiations, and particularly since the acceptance of the plan by the British Cabinet, there has been some consideration given by both sides to the possibility of additional provisions to protect the exchanges, along the lines of arrangements for the deferment of payments of interest by the British if sterling is at too great a discount, and for the acceleration of payments of principal in case the dollar goes to a discount. I am personally convinced that for our own protection against future eventualities, as well as in the interest of stability of the exchanges between this country and Great Britain, it is necessary to include some such arrangements in the plan as finally adopted, and I have suggested some general provisions along these lines for incorporation in the agreement. This part of the plan, however, has not yet reached the final stage and will be more or less open to negotiation at least until the final adop-

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tion of the agreement by the two Governments. I am wondering whether in the meantime you have any specific suggestions as to what the terms of such an arrangement should be, or any suggestion as to any better arrangements that might be included in the agreement for the purpose of protecting the exchanges. I hope to see you on your way up from the South and to have an opportunity then to discuss the matter, but what I need most of all are concrete suggestions, in all necessary detail, as to the terms that might actually be incorporated in the agreement. Generally speaking, of course, these terms ought to be as simple as possible, for at the best it is almost impossible to get people to understand matters of this character, and any elaborate scheme would destroy itself. Back in 1920, as you will see from the discussion on pages 61 to 65 of the Annual Report of the Secretary of the Treasury for 1920, the problem involved had some consideration, but I doubt if the provisions there suggested fit the present situation. The most likely provision is that appearing at the end of the paragraph which ends at the top of page 63, but that, among other things, would apply only against the debtor, and I imagine that if any arrangement at all is to be made the British would naturally expect to get some reciprocity.

Very truly yours,

(Signed) S. P. Gilbert, Jr.

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

1 enclosure

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Form 1204

CLASS OF SERVICE	SYMBOL
Telegram	
Day Letter	Blue
Night Message	Nite
Night Letter	N L

If none of these three symbols appears after the check (number of words) this is a telegram. Otherwise its character is indicated by the symbol appearing after the check.

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

CLASS OF SERVICE	SYMBOL
Telegram	
Day Letter	Blue
Night Message	Nite
Night Letter	N L

If none of these three symbols appears after the check (number of words) this is a telegram. Otherwise its character is indicated by the symbol appearing after the check.

RECEIVED AT

41AZ KD 14 GOVT

WASHINGTON DC 653P FEB 7 1923

BENJAMIN STRONG

BON AIR AUGUSTA GA

YOUR TELEGRAM RECEIVED EITHER MIDDLE OR END OF NEXT WEEK WILL BE QUITE SATISFACTORY

GILBERT

715PM

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THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

February 27, 1923.

My dear Governor:

I received your letter of February 26, 1923, concerning the delay in the receipt of my letter to you of February 22, 1923, about the British debt agreement. It appears that this delay was caused by the fact that the registry division of the Washington Post Office was closed on the afternoon of February 22nd and the letter was held over until Friday morning, February 23rd, in order that it might go forward registered. As to the condition of the gum on the envelope, this is one of the unfortunate economies to which we are subjected by the Bureau of the Budget.

Very truly yours,

S. P. Gilbert Jr.

S. P. GILBERT, Jr.,
Under Secretary.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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GOVERNOR'S SECY
FEB 23 1923

To

April 17, 1923.

J. H. Case, Fed. Res. Bank, N. Y.

Hope Central Committee can get further liquidation of certificates this week difficult to tell at this distance but last Federal Reserve statement makes it look like good time for further progress.

Gilbert.

To

S. P. Gilbert, Jr.,
Grove Park Inn, Asheville, N. C.

April 17, 1923.

Fully agree with your suggestion and advanced this idea at Philadelphia meeting Friday. For reasons stated my letter sent you yesterday members felt inadvisable to sell in present market but agreed to permit you as, if, and when wanted to lift all September maturities at par and interest. This will accomplish same purpose and I urge upon you desirability of accepting this offer for consummation tomorrow. Answer.

J.H. Case.

To

J. H. Case, Fed. Res. Bank, N. Y.

April 17, 1923.

Telegram received balances will not permit advance redemption September maturities this Wednesday will consider for later this week but in meantime cannot you try some sales in the market.

Gilbert.

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W. T. 11. 1-15M-11-22

FEDERAL RESERVE BANK
OF NEW YORK

Mr Case

ATTENTION J H Case

TELEGRAM

COMMERCIAL WIRE—INCOMING

~~TRANSLATION~~ COPY

WIRE TRANSFER
DIVISION

DECODED SG

CHECKED

COMPANY W U

Asheville N Car

Apr 19, 1923.

Federal Reserve Bank, N. Y.

Am arranging to redeem September certificates next Tuesday and will shortly send out general telegram to this effect

Gilbert

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S. P. Gilbert

THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

April 24, 1923.

My dear Governor:

I received your letter of April 16, 1923, with the enclosed papers about your personal income tax. I have sent your letter of April 16th to the Commissioner of Internal Revenue, with your check for the amount of the additional tax, and have returned to Mr. Beyer the file of papers relating to the assessment. I agree with you that this sort of thing is most irritating, particularly the practice followed by the Bureau of Internal Revenue of constantly re-examining and re-opening relatively small income tax cases. The Secretary and the Tax Simplification Board have been giving special attention to this phase of the Internal Revenue work during the past few months and instructions have already been given to the Commissioner that will, I hope, simplify these examinations in the future and close up the cases with less delay. I think that the Bureau is also making progress in the settlement of the larger cases and that collections of back taxes on this account will be much larger this year than ever before.

It is now clear that the present fiscal year will close without a deficit and that there will even be a substantial surplus for the year, amounting to perhaps $100,000,000. No public statement to this effect has yet been made but I have in mind

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saying something on this subject in connection with the May 15th financing of the Treasury. It is really a remarkably good showing for, as you know, our surplus is calculated after charging out as ordinary expenditures all of the debt retirements resulting from the operations of the sinking fund, repayments by foreign governments, and other similar accounts. A surplus of $100,000,000, therefore, means $100,000,000 over and above $400,000,000, or thereabouts, of debt retirements already charged out as ordinary expenditures, or, in other words, a surplus of about $500,000,000 if our budget were set up on the same basis as the British budget for the year just closed. This favorable result, as compared with the rather disturbing prospects at the beginning of the year, is due largely to much improved collections of internal revenue and customs, and to a much smaller extent to decreased expenditures. March tax collections, as you have probably noticed, were about $60,000,000 more than had been estimated and this means an increase of probably $200,000,000 in income tax collections for the calendar year, thus greatly simplifying the Treasury's current financing.

I am hoping to write you separately in a day or two about the British agreement. It is in rather disappointing form from the point of view of what we most wanted to accomplish, but in the form submitted to the British went as far as our Commission was willing to go. Up to date there has been no word from the British Government but I am expecting to get advice on this score almost any moment.

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I hope you are feeling as frisky as ever, and accumulating a lot of health. Let me know if there is anything I can do at any time.

Sincerely yours,

S. T. Gilbert Jr.

Benjamin Strong, Esq.,
c/o Cragmore Sanitarium,
Colorado Springs, Colorado.

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(C O P Y)

August 3, 1923.

Dear Mr. Case:

I do not know whether you ever sent to the Federal Reserve Board your proposed letter of June 25, 1923, on the subject of fiscal agency expenses, but not having heard from the Board I presume that you decided not to send it. I think that the Treasury's position in the matter is rather clear, and since the question has been raised I am glad to restate it for your information. It is simply a matter of appropriations. The Treasury has an indefinite appropriation based on a percentage of the securities issued which enables it to reimburse the Federal Reserve Banks for all expenses incident to new issues of securities, including Treasury notes, Treasury certificates, and Treasury savings certificates, and it has accordingly followed the practice of reimbursing the Federal reserve banks for all expenses on these accounts incurred in their capacity as fiscal agents of the United States. As to the general fiscal agency work, not especially connected with new issues, the Treasury is depending upon an annual appropriation from Congress for the support of the public debt service. This appropriation is in a limited amount, sufficient only to cover operations at the Treasury in Washington, and beginning with the fiscal year 1922 Congress has made it perfectly clear that it did not intend the Treasury to use any of this appropriation for making reimbursement to the Federal reserve banks. This it has done not merely by expressions in committee and on the floor but also by expressly omitting to grant the funds necessary to cover Federal reserve bank reimbursements. The appropriations for the fiscal year 1924 are already fixed, being covered by an Act of Congress passed before the expiration of the last Congress on March 4, 1923, and there would, therefore, be no way of making reimbursement this year to Federal reserve banks on account of general fiscal agency expenses, except

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through a supplemental or deficiency appropriation. To get such an appropriation the Treasury would have to submit special estimates for the purpose to the Bureau of the Budget and through that Bureau to the Committees of Congress, at the same time being obliged to make it clear that the money would be applied to reimburse the Federal reserve banks. The Treasury is willing, on request of the Federal reserve banks through the Federal Reserve Board, to attempt to get a supplemental or deficiency appropriation for this purpose, but I should not myself be inclined to ask for such an appropriation without such a request, and I doubt whether anything would be gained in any event. Congress is not likely to be willing to grant the additional appropriation, and even if it did the situation would not be substantially different than it is at present, since the effect of the absorption of fiscal agency expenses by the Federal reserve banks is to reduce by that amount the amount of franchise taxes payable to the Treasury at the end of the year. Besides this I have the feeling that in some Federal reserve banks at least fiscal agency operations are more economically administered when the expenses have to be absorbed by the Federal reserve bank than when everything is billed to the Treasury for payment.

Very truly yours,

(Signed) S. T. Gilbert, Jr.,
Under Secretary.

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THE UNDER SECRETARY OF THE TREASURY
WASHINGTON

August 11, 1923.

Dear Mr. Case:

I received your letter of August 6, 1923, with respect to the 4 per cent Loan of 1925, which becomes redeemable on any interest day after February 1, 1925. It is not for me to say what shall be done with these bonds when they become redeemable, but I feel clear, nevertheless, that the sound policy is to call them for redemption at the earliest possible date and am glad to leave a record to that effect in the Treasury. Under existing conditions I believe that the only practicable way to retire the National Bank Note circulation is to retire gradually the circulation bonds which support that circulation, and this can be done in very large measure if the Treasury will pursue the policy of redeeming the circulation bonds in reasonable amounts and at convenient dates as soon as they become subject to redemption. As to the 4 per cent Loan of 1925, the case seems to me particularly clear, for 4 per cent is much too high a rate for the Government to be paying on bonds that enjoy full exemptions from taxation and at the same time carry the circulation privilege. There are only about $118,000,000. of the bonds outstanding, and it would be perfectly feasible in one or two operations to retire them completely, displacing them with notes and certificates in so far as refinancing may prove to be necessary.

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In my judgment a similar policy should be followed in respect to other circulation bonds, including the circulation bonds which bear interest at a relatively low rate. With the establishment of the Federal Reserve System and the provisions for the issuance of Federal Reserve notes, it seems to me that National bank notes no longer fit our currency system, and Congress itself, in the provisions of the Federal Reserve Act, has expressed a rather definite intention to provide for their gradual retirement through the retirement of the circulation bonds. Owing to the war and the large issues of Government securities growing out of the war, these specific provisions of the Federal Reserve Act have not proved effective. The intent must, nevertheless, be recognized, and I think that the Treasury should proceed to carry it out, as and when it becomes possible, through the redemption of circulation bonds before maturity. Here and there this may mean that the Government will pay a little more interest, but I think this is not too great a price to pay for getting rid of the circulation bond and its attendant evils.

Very truly yours,

(Signed) S. P. Gilbert, Jr.,
Under Secretary.

J. H. Case, Esq.,
Acting Governor,
Federal Reserve Bank,
New York, N. Y.

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ACKNOWLEDGED
NOV 22 1923
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THE UNDERSECRETARY OF THE TREASURY
WASHINGTON

November 17, 1923.

My dear Governor:

This is really good-bye, for my resignation becomes effective to-day, and I am leaving directly for New York. I cannot leave the Treasury without recording this final word of thanks for all your helpfulness and support, and expressing my personal appreciation of your thoughtfulness and friendship during these difficult years. You have contributed splendidly to the success of the Treasury's program, and I want you to know how highly it is appreciated here.

Mr. Winston will succeed me as Under Secretary, and I know that he can always count on you, as I have, for the utmost cooperation and support.

With cordial regards and best wishes, I am

Sincerely yours,

S. P. Gilbert, Jr.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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NOV 20 1923

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With cordial regards and best wishes, I am

Sincerely yours,

S. P. Gilbert, Jr.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank,
New York, N. Y.

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