

b Edward W. Decker
president
Northwestern National
Bank
Minneapolis
1921

The Northwestern National Bank
Minneapolis

EDWARD W. DECKER
PRESIDENT

ACKNOWLEDGED

OCT 19 1921

B S

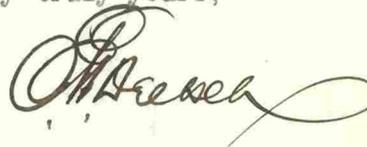
October 12, 1921.

Mr. Benjamin Strong,
Federal Reserve Bank,
New York, N. Y.

Dear Ben:-

I am importuned to accept the local chairmanship for the National Budget Committee, and notice that you are connected with the enterprise. I want to do my full duty, but there are so many of these things coming along that I hesitate to take on any more. How important is this work? Of course I am greatly interested in national economy and the budget system, but what I mean is, do you feel that it is very important that educational propaganda be worked up in favor of it so that public opinion will have some influence on Congress?

Thanking you for your reply, I am,
Very truly yours,



Budget

October 19, 1921.

My dear Ed:

I thank you for your letter of October 12, to which an acknowledgment has been delayed owing to absence.

For the past few years I have been deeply interested in the work of the National Budget Committee for obtaining legislation from Congress directed toward the establishment of a scientific budget system for our Government. As the basis of this budget system has now been adopted by Congress, our organization is endeavoring to crystallize public sentiment for the support of the program of government economy, in order to insure permanent success for the new National Budget System.

We are seeking to extend our work by selecting, so far as possible, bankers to accept active chairmanships in various of the more important cities, simply to carry on the work which will be laid out for them by the national committee. In planning this movement, the committee has tried to reduce to a minimum the necessary work of the chairmen, all of whom are busy men and volunteers. The scope of the work is described in the enclosed memorandum.

I am sure that you will agree with me that we must arouse public interest and endeavor to place public opinion behind the movement for budget reforms in the national government, and this can only be accomplished by educational propaganda and other well directed efforts.

May I count on your support by accepting the chairmanship of your district, feeling assured that the work will be interesting and the results gratifying to you?

With cordial regards, and renewed thanks for writing me, I am,

Yours sincerely,

E. W. Decker, Esq.,
President, Northwestern National Bank,
Minneapolis, Minn.

GB:MM

November 28, 1921.

Dear Mr. Decker: - 11/22/21

A letter just reached me from Mr. John T. Pratt giving a brief report on the firstlap of his continental trip in the interest of the National Budget.

I was especially delighted to learn that he had the pleasure of meeting you, and that you have accepted the chairmanship of the State of Minnesota. This is indeed good news, and with you at the helm we can be assured of success in furthering the work of the National Budget Committee in that State.

With kindest regards and thanking you for your personal cooperation, believe me

Yours sincerely,

Mr. E. W. Decker,
Northwestern National Bank,
Minneapolis, Minn.

AMP

C. Fargen, J. B.
President

Fuel Material

Boulevard
Chicago

1911, 1914-1915

4
Chairman
of Fuel Fund Committee
1914-1915

MES B. FORGAN,
PRESIDENT.

THE
FIRST NATIONAL BANK,
CHICAGO.

146

Nov. 6, 1911

Benjamin Strong, Jr., Esq.,
Bankers Trust Company,
New York

R. A. W.

NOV 13 1911

My dear Mr. Strong:-

I have your two favors of 2nd and 3rd inst. enclosing three extracts from your New Orleans address, all of which I have carefully read.

You will of course bear in mind that in my previous estimate, from which you quote, the State banks were not considered because at that time Senator Aldrich's Suggested plan did not seem to contemplate their affiliation with the National Reserve Association. In Senator Aldrich's revised edition of his plan you will notice that he places the capital of the National Reserve Association at approximately \$300,000,000, one-half of which paid up would be \$150,000,000, and it is on this that I am going to base my estimate of the strength of the Association and its earnings.

I can offer no criticism of your estimate of the business as it will probably be after say two years, or more, of operation, nor of your estimate of profits, they both seem reasonable to me.

In regard to the expenses connected with the note issue which I placed at \$2,000,000 and which you state is about double the present cost, you will of course have to bear in mind that the National Reserve Association is to deliver its circulating notes to any bank in the country free of expense; the cost of transportation from time to time will therefore be con-

JES B. FORGAN,
PRESIDENT.

THE
FIRST NATIONAL BANK.
CHICAGO.

B S Jr --#2

siderable.

In regard to the contraction resulting from the payment of \$100,000,000 of lawful money to the National Reserve Association for its paid in capital, I think the operations of the Association itself would promptly take care of this contraction. That such a contraction would take place is of course theoretically correct, but my mind always reverts to how it would affect my own institution. Our investment in the stock of the Association would be \$1,000,000. We make loans of that amount frequently and our reserves adjust themselves to such loans without any practical difficulty. Of course when \$100,000,000 is taken out of the reserves of the banks and invested all at one time in one new security, as will be the case when they invest in the stock of the Association, the aggregate reserves of all the banks would be contracted by that amount, necessitating a corresponding contraction equal in round figures to \$600,000,000 in their deposits, which would have to be accomplished by a contraction of their loans, unless they had surplus reserves at the time. This would probably give the Association an immediate opportunity of doing business with the banks in the shape of rediscounts, but I do not think they would have to do that to anything like the extent of the theoretical contraction shown and probably the banks would have ample time to adjust themselves to the new conditions.

In figuring on the strength of the National Reserve Association from the standpoint of the gold and legal tender money it would receive into its coffers it must be borne in mind that practically all the reserve money

FORGAN,
PRESIDENT.

B S, Jr.--#3

THE
FIRST NATIONAL BANK,
CHICAGO.

of the country would tend ultimately to find its way into the Association's vaults. As its depositing banks would ship currency to it from time to time these shipments would be made up indiscriminately of gold, gold certificates, greenbacks, silver certificates and national bank notes. The Association would of course not reship gold or gold certificates when called upon for money, but would send out its own notes. Through this process substantially all the gold money of the country, whether coin or gold certificates, not only that in the reserves of the banks but also that in the pockets of the people, would gradually find its way into the vaults of the Association and its notes would gradually form the main body of our currency. As this process evolves, ~~it is doubtless would~~, the lending power of the Association would correspondingly increase. ^{sketch} The ~~schedule~~ figures of ~~the~~ balance sheet as given by you or by me does not give a correct idea of the loaning power of the Association and it is my belief that if the contraction resulting from the investment by the banks in the stock of the National Reserve Association should cause any temporary trouble it would be very easily and very readily taken care of by the Association itself. In fact, its opportunity of getting ^{at once} into business would probably come from that condition of affairs.

Very truly yours,



JAMES B. FORGAN,
PRESIDENT.

THE
FIRST NATIONAL BANK,
CHICAGO.

Sept. 11, 1914

Copy Sep 15/14

Mr. Benj. Strong, Jr.,
Bankers Trust Company
New York

Dear Mr. Strong:-

I have your favor of September 8th.

I presume the result of your visit to Washington is the approval of our plan by the Federal Reserve Board, as today we have received a telegram from Mr. Hamlin requesting us to give a specification of cash on hand held by the national banks and by the state banks of Chicago. This we have done. I suppose they have asked for similar information from all the reserve cities through the country as a basis for requesting them to contribute their pro rata of the \$150,000,000 gold fund.

I have been excessively busy since I returned from Washington endeavoring to solve all kinds of new problems that continually arise under present conditions. I asked Mr. Arnold if he had any suggestion to make in regard to the handling of the New York end of the matter and I enclose a letter from him on the subject. I presume you will let the Federal Reserve Board know just how much the New York banks will contribute to the fund so that they may apportion the remainder of it to the banks through the country. I have no doubt that the New York committee in charge of the matter will evolve a method of handling it. They should be very careful to see that there is at least some profit in their operations as there would undoubtedly be a good deal of kicking if for any reason they should have to report a loss in them.

I would like to get to New York next week if I can possibly arrange it, which however seems doubtful, and if I do I will call upon you and further discuss the matter.

Very truly yours,

James B. Forgan

FOREIGN EXCHANGE
DEPARTMENT.

JOHN J. ARNOLD,
Manager.

CHAS. P. CLIFFORD,
Assistant Manager.

CAPITAL \$ 10,000,000
SURPLUS \$ 10,000,000



CHARTER NUMBER 8

Chicago, 10 September 1914

J J A

Mr James B Forgan,

P r e s i d e n t .

Dear Sir:

As I understand, the report of your Committee, made to the Secretary of the Treasury and the Federal Reserve Board, contemplates an initial contribution of gold on the part of the Reserve and Central Reserve Cities amounting to \$25,000,000; the same to be paid into the depository of the Bank of England in Canada; proceeds at the agreed rate of 77sh 6 pence per ounce for gold bars and 76 sh. 1/2 penny per ounce for eagles to be credited by the Bank of England. This credit to be disposed of by the New York Committee. Each bank contributing to receive a participation deposit receipt for the amount contributed.

I understand further that the New York Committee is to fix the price at which foreign exchange is to be bought and sold, which I take it means that they are to fix an arbitrary rate both for buying and selling. This to my mind will prove a difficult problem, inasmuch as exchange rates should be based upon supply and demand. I do not understand that the Committee is empowered to buy in the open market, either checks or cables, with which to augment the balance with the Bank of England, but is merely to

Mr James B Morgan - 2

dispose of the balance created as above indicated. On this account it is my judgment that the exchange should be disposed of at the market rate, which latter would have to be established by the foreign exchange dealers in accordance with the usual laws of supply and demand. Otherwise the balance with the Bank of England would be likely to be subjected to terrific demands on the part of those having commitments to make - principally the New York banks. Of course, the gold thus supplied, together with the exportation of grains, will gradually offset our obligations, and in this way also gradually reduce the rate of exchange.

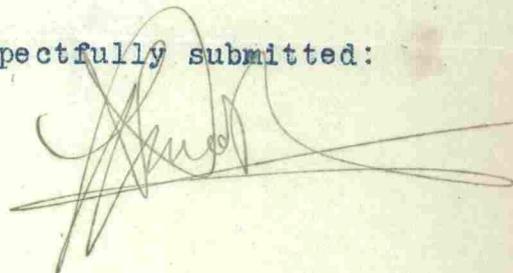
If my understanding of the plan is correct then my judgment would be that the New York Committee open accounts with the various banks contributing gold, crediting each for the amount contributed in dollars and charging them with the participation deposit receipt when rendered, holding the receipts open in Receipt Account, and that the gold as a total be charged by the New York Committee to the Bank of England in pounds sterling and dollars, and that the sale of exchange be credited to the Bank of England in pounds sterling together with the proceeds in dollars. This account to be charged in dollars only with the expense connected with the handling of the matter. When all of the balance has been disposed of, then the proceeds, including profit, if any, should be distributed pro rata to the holders of participation deposit receipts.

This would apply only to the initial \$25,000,000 contribution. The remainder, I understand, is to be paid for in

Mr James B Forgan - 3

New York exchange at the time when gold is delivered. The account with the Bank of England could in this way be handled in a like manner as in that of the initial deposit, but of course only the profit, if any, would have to be distributed to the various contributors. If it should be decided that the New York Committee is to fix an arbitrary rate, this would not in any way change the method of handling the transactions. Each contributing bank should be given a complete statement, covering all of the transactions with the Bank of England when finally closed.

Respectfully submitted:

A handwritten signature in dark ink, appearing to be 'J. B. Forgan', written over a horizontal line. The signature is somewhat stylized and cursive.

met hand

POTTER, CHOATE & PRENTICE, NEW YORK.

235

TIME.....

PRIVATE WIRE TO

FIRST TRUST & SAVINGS BANK,
Chicago, Ill.

x

SEP 15 1914

.....191

BENJAMIN STRONG JR
BANKERS TRUST CO N. Y.

B.A. Fr.

I WANT TO ATTEND COMMITTEE MEETING OF EQUITABLE LIFE INSURANCE
COMPANY AT TEN OCLOCK AND REGULAR DIRECTORS MEETING AT 12 OCLOCK.
LEAVING AT 3:30 WILL THEREFORE RATHER CROWD ME, BUT CAN ARRANGE IT
IF YOU THINK DESIRABLE.

SEP 15 1914

1 Phoned

JAMES B. FORGAN 1 27 P

POTTER, CHOATE & PRENTICE, NEW YORK.

TIME.....

PRIVATE WIRE TO

FIRST TRUST & SAVINGS BANK,

SEP 15 1914

191

Chicago, Ill.
BENJAMIN STRONG JR.,

BANKERS TRUST CO N. Y.

AM EXCESSIVELY BUSY HERE. WILL, HOWEVER, ARRANGE TO MEET YOU IN
NEW YORK THURSDAY, PROCEED TO WASHINGTON WITH YOU THURSDAY NIGHT AND
MEET THE FEDERAL RESERVE BOARD FRIDAY. IF THIS IS AGREEABLE TO YOU,
MAKE ARRANGEMENTS ACCORDINGLY AND LET ME KNOW. BEFORE WE GO BACK TO
WASHINGTON THE NEW YORK COMMITTEE SHOULD BE APPOINTED AND IF POSSIBLE
NEW YORK BANKS CANVASSED TO ASCERTAIN HOW MUCH THEY WILL CONTRIBUTE TO
THE FUND THE AMOUNT OF WHICH MIGHT I THINK BE REDUCED TO \$100,000,000

JAS. B. FORGAN. 10 29 A

Ans. Sep 15/14

J. Byrd

POTTER, CHOATE & PRENTICE, NEW YORK.

233

TIME.....

PRIVATE WIRE TO

FIRST TRUST & SAVINGS BANK,
Chicago, Ill.

SEP 22 1914

.....191

BENJAMIN STRONG JR BANKERS TRUST CO

YOUR TELEGRAM RECEIVED. THE CHANGES SUGGESTED BY MR. WARBURG ARE ENTIRELY SATISFACTORY TO ME AND I WILL MAKE THEM IN THE COPIES TO BE DISTRIBUTED AMONG THE BANKS HERE AT OUR MEETING THIS AFTER-NOON

JAMES B. FORGAN. 12 08 P

Ans. P. Beal. P. T. M.
L. K. Rue. Phila

235 - Fund.

POTTER, CHOATE & PRENTICE, NEW YORK.

TIME.....

PRIVATE WIRE TO

FIRST TRUST & SAVINGS BANK,

SEP 23 1914

.....191

Chicago, Ill.

BENJAMIN STRONG, JR,
BANKERS TRUST CO N. Y.

I HAVE IN HAND PLEDGES DULY SIGNED BY EVERY MEMBER OF OUR
CLEARING HOUSE ASSOCIATION FOR THEIR INDIVIDUAL SHARES OF OUR
SIXTEEN MILLION DOLLAR CONTRIBUTION TO THE ONE HUNDRED MILLION DOLLAR
GOLD FUND. DIRECTORS RESOLUTIONS WILL BE FURNISHED LATER. I RECEIVED
YOUR TELEGRAM IN TIME TO MAKE THE CHANGES IN THE REPORT SUGGESTED BY
WARBURG.

JAMES B. FORGAN. 11 07 A.M.

JAMES B. FORGAN,
PRESIDENT.

THE
FIRST NATIONAL BANK,
CHICAGO.

235

Sept. 24, 1914

Mr. Benj Strong, Jr.
Bankers Trust Co
New York

B. S. fr.

SEP 29 1914

Dear Mr. Strong:--

I have your favor of 21st inst.

A pledge signed by all the Chicago Clearing House member banks for their proportion of the \$16,000,000 to be contributed by them towards the \$100,000,000 fund has been forwarded to the Federal Reserve Board and will be followed by resolutions of directors as soon as we can get them in.

I can see that it will be quite a problem to decide upon the best method for selling exchange. Offhand there is only one idea occurs to me. I think the Committee as soon as it gets the first \$25,000,000 in hand should ship at least \$10,000,000 of it through Ottawa to the Bank of England for their credit either with the Bank of England, if it is willing to take the deposit subject to their draft or cable transfer, or with some other bank selected by the Committee. Then the Committee will be in a position to deal with applications for cable transfers as they arise.

The situation here is being rapidly cleared up, partly by the extension of credit in London to our large borrowers and partly through cable transfers made against gold shipments through Ottawa. As I stated before I do not believe that anyone in Chicago will be an applicant to the Committee for cable transfers or drafts, as it now appears that before the Committee gets gold in its hands and is ready for operation the Chicago situation will have been entirely cleared up. Confidentially, the International Harvester Co. has within the past two or three days been able to extend its maturing obligations in London for ninety days to the extent of \$ 600,000.

Very truly yours,

James B. Forgan

JAMES B. FORGAN,
PRESIDENT.

THE
FIRST NATIONAL BANK,
CHICAGO.

Sept 29, 1914

Ans Oct 2/14

Benj. Strong, Jr., Esq.,
C/o Bankers Trust company,
Sixteen Wall st,
New York.

Dear Mr. Strong:--

I have been thinking over the suggestion made in your favor of 24th inst.

I could not leave here at present even for a couple of weeks except at great inconvenience to the many local interests which I am helping to bridge over existing conditions.

I would not like to be away at the start of the Federal reserve banks. As soon as the Federal Reserve Board has named the Class C Directors I presume the entire board of directors will have to organize, select officers, office quarters, etc., and I would like to have my say in connection with these appointments and other matters.

I have heard that New York has already settled who is to be the President, general manager, governor, or whatever he may be called, of the Federal Reserve Bank for District No. 2, and if my information is correct I congratulate them upon their selection and sincerely hope what I have heard is true. We are not so fortunate in District No. 7. We have several applicants and we have heard that the Federal Reserve Board has made its selection in advance of any action by the local directors.

Very truly yours,



FR Oct
Carr units
Other
Packets

236

October 2, 1914.

Dear Mr. Morgan:

Your favor of the 29th ultimo was received at a time when I was really too busy to clear my desk of mail, on account of the amount of time which had to be devoted to working out the detail of handling the gold fund.

Our plan for a trip to Europe has been abandoned for the time being, as it is possible that arrangements can be made satisfactory to the Committee without necessitating sending anyone at this most inconvenient time, particularly as Mr. Kent is still in London and so far has been able to assist us in working out the details over there.

I know exactly the way you feel about the organization of the Federal Reserve Bank in your district, and personally I feel it would be a misfortune if you were not there to have a hand in all of those organization matters.

The matter you refer to in the last paragraph of your letter has been definitely settled, I understand, although not by formal action of the New York Board. As you may imagine, Warburg has been largely responsible for this; and I must say that he and his associates in Washington, as well

James B. Forgan, Esq.

10-2-14.

as the members of the Board in New York, have shown me the greatest consideration in every possible way.

I thank you most heartily for your congratulations, and I must ask you to bear this confirmation in confidence for a while, until my lips are unsealed by the New York Board. You can readily understand that it grieves me a lot to conclude, as I have done, that it is a matter of duty for me to meet their wishes. I shall hope that we will have many opportunities to discuss the problems that will arise together, and I would particularly like to feel free to draw on you from time to time in developing our plans.

I cannot help but feel that the whole system must be organized as one system, and that there must be developed methods of cooperation and coordination to make the system a complete success. The prospect some times appals me a bit, but I am relying on the friendship and assistance of many of the men we have worked with for a good many years now in New York on this very matter, and am confident that in the right spirit we will wind up with a successful system.

About our gold pool, you doubtless have by now been advised by Mr. Wiggin of just how we have been proceeding. In order to hasten the operations of the Committee, we

No. 3.

James B. Forgan, Esq.

10-2-14.

shipped \$10,000,000. of gold to Ottawa yesterday, and we will begin to sell London checks at once. Exchange closed tonight at about $4.95\frac{1}{2}$ to $\frac{1}{2}$ for demand; $4.96\frac{1}{2}$ to $\frac{1}{8}$ for cables. If we can keep it going this way without losing any considerable quantity of gold, I think that we may all consider that we are well repaid for the work done to date; but of course I realize that this is a long way from taking care of the future, which still offers a good many problems to solve if we cannot move our cotton.

With kindest regards, believe me,

Very truly yours,

BS-JEB

James B. Forgan, Esq.,

First National Bank,

Chicago, Illinois.

C. P. Jones

Report left with Mr. Williams, Comptroller at whose suggestion the address was changed as shown on copy. He commends our work highly and believes we have solved the question if banks will respond as they should.

Jas. Morgan

241
Cotton

November 2, 1914.

J. B. Forgan, Esq.,
c/o First National Bank,
Chicago, Ill.

Dear Mr. Forgan,

There seems to be some reluctance in Boston and some of the other cities to furnish the quota allotted to make up the \$100,000,000 required for the cotton loan. I am writing to ask your view as to the possibility, in case a considerable shortage should occur in the amount to be provided, of having New York, Chicago and St. Louis make up the shortage, at the same time having some understanding with the Treasury Department that either through the Federal Reserve banks in these cities or directly with member banks, consideration will be given to facilitate the matter by additional Treasury deposits.

I am writing without yet having had opportunity to consult any of the bankers in New York, but it occurs to me that the New York banks at this time might be quite willing to take an additional portion of the loan if joined by Chicago, and St. Louis for reasonable amounts, and if you offer encouragement that that such plan would appeal to the bankers in your city, I will be very glad indeed to take it up here.

Would you mind wiring me on Wednesday how this suggestion appeals to you.

Very truly yours,

S-W.

POTTER, CHOATE & PRENTICE, NEW YORK.

TIME.....

PRIVATE WIRE TO

FIRST TRUST & SAVINGS BANK,
Chicago, Ill.

NOV 4 1914

.....191

BENJ. STRONG JR
GOVERNOR FEDERAL RESERVE BANK,
27 PINE ST. N. Y.

YOUR LETTER RECEIVED. BANKS HERE NOT AT ALL ENTHUSIASTIC
IN REGARD TO COTTON LOAN. UP TO THE PRESENT HAVE ONLY RAISED TEN
MILLION IN CHICAGO WHICH MAY POSSIBLY BE INCREASED TO TWELVE MILLION.
ARE SOLICITING EIGHT MILLION FROM OTHER RESERVE CITIES IN THIS
DISTRICT. DO NOT THINK THEREFORE CHICAGO CAN BE COUNTED UPON TO
HELP MAKE UP ANY SHORTAGE IN THE FUND. PLEASE CONSIDER THIS PER-
SONAL AND CONFIDENTIAL.

JAMES B. FORGAN. 11 25 A

COPY OF TELEGRAM.

Chicago, Ill., Sept. 10, 1915.

Joe B Forgan .

Biltmore Hotel N Y

On behalf of the Friends of Peace we call your attention to an editorial in a Chicago paper this morning which begins and ends as follows " Caution and forethought are highly desirable in American banking operations with Europe at this time when we lend money to our trade rivals to spend in our country The profit is not so great as it seems and money loaned for the normal enterprises of the country is better invested from the point of view of the country at large" In addition to this quotation we desire to say that a tremendous loan such as is planned would be not only unneutral but would involve our nation in the outcome of the European war in addition to dangerously diverting the deposits of American citizens and the money of the American people in the Federal reserve banks;

Friends of Peace; Mrs. Wm G Sheppard

Ferdinand Hanson Jeremiah A OLeary;

National Committeemen;

247
COPY OF TELEGRAM.

Chicago, Ill., Sept. 11, 1915.

Mr. James B. Fergan

Biltmore N Y

The Friends of Peace sent you an open telegram this morning we desire to say to you privately that perhaps the best reason why no such loan as is contemplated should be made is that the events in Europe show the Allies will be defeated the half a billion loan will be but a drop in the bucket and will not change the outcome but it will make Germany the world power of the future the enemy not only of American finances but American business now is the moment for American business to lay the foundation for future friendly relations with Germany we might add that the depositors of this country will not stand for this loan even though American securities are deposited as collateral the panic of 1907 demonstrated how low even American securities may fall.

Friends of Peace,

Mrs. Wm. G. Sheppard,

Fernand Hansen,

Jeremiah A Cleary

National Committeemen.

Estes Park, Colo.,

October 12th, 1916.

Dear Mr. Forgan:

It was a great pleasure to receive your letter of October 10th and I am glad to feel that you were agreed with the views expressed in my letter to Mr. McDougal about our foreign arrangements.

There seem to be difficulties in the way of concluding the tentative plan which I discussed in London and until word is received from Washington that the arrangement is approved, I hardly feel justified in making a final detailed report to all of the reserve banks. Let me say to you, confidentially however, that the arrangement is one which can be safely undertaken at any time as the reserve banks will be protected by undoubted guarantees and the account will be conducted on a gold basis. The papers have already been prepared and a scheme outlined for managing the account, all of which will be submitted just as soon as the necessary approval is received from Washington.

Mr. Vanderlip and Mr. Trumbull have been here with me for a week and we had a delightful visit. Mr. Vanderlip, with whom I have discussed this matter agrees with the views expressed in your letter without reservation.

Hoping that you keep well and thanking you for the kind expressions contained in your letter, I am,

Very truly yours,

James B. Forgan, Esq.,
The First National Bank,
Chicago, Ill.

THE
FIRST NATIONAL BANK
CHICAGO

R.A.H.
OCT 12 1916

October 10, 1916

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

Dear Mr. Strong:-

I have read Mr McDougal's letter to you of 20th ulto.
and your answer of 23rd ulto.

Mr. McDougal has asked me to write you an expression of
my opinion of the tentative plan you suggest for the Federal reserve banks
engaging in foreign exchange business.

The position you take it seems to me is the only sensible
and practical one to be taken. Under no circumstances should the Federal
reserve banks enter directly into open market competition with their member
banks in a line of business which in normal times through keen competition
among themselves is done on a smaller margin of profit than any line of
business in which they are engaged. The Federal reserve banks could
not undertake to do all the foreign business and should they enter into
open market competition with their member banks for a part of it they
would only be a disturbing element in the field. They might do enough
business to enable them to quote rates that would govern or control the
market. Their more advantageous position in regard to what their money
costs them would certainly enable them to quote rates with which their mem-
ber banks could not compete. Considering that the money they use is
that of their member banks this would be a most unfair and iniquitous
situation for them to create as it might compel the member banks to do the
larger part of the foreign exchange business at rates based on Federal
reserve bank quotations.

Your plan of having the Federal reserve banks buy sterling
when rates reach or fall below the gold import rate and of their accu-
mulating balances in London to be invested in the highest grade of bills
current there until through changed international conditions it might be
desirable for them to furnish the market with exchange to prevent the
outflow of gold from this country, appeals to me as the only feasible
way for the Federal reserve banks to enter the foreign exchange field.
Such a method of handling foreign exchange could be made profitable to the
Federal reserve banks and would be a steadying factor in the foreign ex-
change market to the benefit of all interested.

The Federal Reserve Bank of New York should represent all

THE
FIRST NATIONAL BANK
CHICAGO

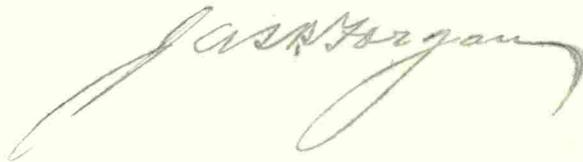
B Strong--//2

the others wishing to participate in the business. Each Federal reserve bank should contribute an amount in proportion to its capital to be invested in foreign exchange. An expert foreign exchange man should be employed and placed in charge of the department in your New York office. This would be much better than having the twelve banks operating independently which I do not believe they could do either to their own advantage or to the advantage of the market.

I will await with interest your complete report for further information as to how you propose to conduct the details of the business.

I am very glad to hear encouraging reports on the improved and improving condition of your health and with kindest regards, I am,

Very truly yours,

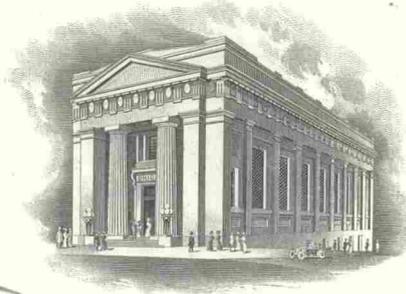
A handwritten signature in cursive script, appearing to read "J. A. Morgan", is written in dark ink. The signature is fluid and extends across the width of the page, with a long, sweeping tail that curves back towards the left.

d) E. Kiewetter
president

Ohio National Bank
of Columbus Ohio

1914

EMIL KIESEWETTER, PRESIDENT.
L. F. KIESEWETTER, VICE PRESIDENT.
C. F. MYERS, VICE PRESIDENT.
FRANK L. STEIN, CASHIER.



HENRY DEEG, ASST. CASHIER, MGR. BOND DEPT.
GEORGE H. MOCK, ASSISTANT CASHIER.
ALBERT E. FRECH, ASSISTANT CASHIER.
J. W. KAISER, AUDITOR.

The Ohio National Bank of Columbus

CAPITAL \$400,000.

SURPLUS \$400,000.

Columbus, Ohio, *Re. H. Co.* Oct 2, 1914.

Bankers Trust Co.,
New York City.

Gentlemen:

Our Clearing House Association has been notified that it is desirable that it contribute \$500,000. toward the gold pool of \$100,000,000.00 which is in some way to assist business conditions in this country by a deposit of certain portions of that sum with the branch of the Bank of England in Canada. We have not yet seen a good reason for our joining in such a movement and write to ask you whether you have joined the movement and are going to put up your proportionate share. If so, what are the reasons for your action?

Our reserves in Columbus are not excessive. On the contrary, at the last published call on Sept. 12th, all of the banks, with possibly one exception, showed reserves decidedly below the legal requirements, and, of course, below normal. We are paying all demands in cash here in Columbus. We are taking no notices of any kinds. We have issued no Clearing House Certificates of any kinds. We have taken care of the needs of our customers to the fullest extent. Pay rolls are going in cash as usual. We, therefore, need our funds at home and will not send them away except for some urgent reason.

We have so far seen no reason given that impresses us sufficiently or that is definite in its application to the question at issue. We have heard it stated that the money so raised is to create exchange or is to pay some one's debts in Europe. We don't owe anything there. If we did we would make arrangements to pay. It looks very much to us as if this movement were disguised under another name similar to the one which was proposed by J. P. Morgan & Company some weeks after the war started to float a French loan in this country. In this instance it is for the English. We do not believe that under any consideration we

235
OCT - 8 1914



OCT 3 1914 11 42 AM

TELLERS DEPT.

Bankers Trust Co.,
New York City.

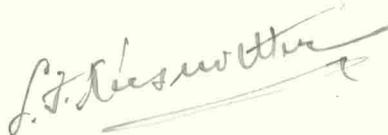
should render financial assistance to any of the belligerents. If we owe anything on the other side, let those who owe, pay, upon the presentation of the notes, in gold, if the contract so specifies, at the point designated for payment. That, it seems to us, is an individual matter.

There is no reason why this bank or our Clearing House here should mix in such affairs. If the foreign countries want our food stuffs or other products, we shall be perfectly willing to sell them and receive in payment gold or any obligations that are due in this country, if they are acceptable to us, and we are satisfied that they will be paid on presentation, of any of the securities of corporations in this country; the latter, however, to be taken at our price.

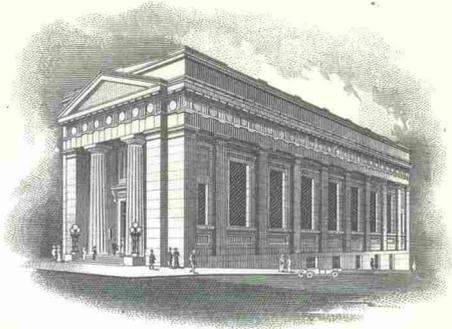
It seems to us that this is the only logical way to work the thing out and does not call for concerted action on the part of the banking fraternities in this country. We are not interested in transactions between Europe and their debtors on this side of the water, except in so far as we might have them among our customers we or might ourselves be one of such debtors. Inasmuch as we are not in this class, neither are any of our customers, we positively fail to see why the proposition to contribute toward a gold pool to be deposited in Canada should have any appeal to us.

We shall be very grateful to you if you can point out some specific reason why we should join this movement and thank you in advance for your reply.

Very truly yours,



Vice President.



The Ohio National Bank of Columbus

CAPITAL PAID IN
\$ 400,000.

SURPLUS & PROFITS
\$ 500,000.

Columbus, Ohio, oct. 8, 1914.

RECEIVED
OCT 10 1914
REFERRED TO
OFFICE

235

Mr. Benjamin Strong, Jr., Prest.,
Bankers Trust Co.,
New York City.

Dear Sir:-

Show to Gold coin.

Thank you very much for your explicit and enlightening letter of the 6th with reference to the gold pool. As a result we, in Columbus, have pledged ourselves to contribute our portion.

Allow us to extend our heartiest congratulations to the Federal Reserve Bank of New York City, upon your selection as the Governor. We feel that they are particularly fortunate in obtaining your services. We realize how much of a sacrifice you are making and sincerely admire your patriotism in doing so.

Very truly yours,

Vice President.

RECEIVED

OCT 10 1914 11 27 AM

TELLERS DEPT.

e) A. Robertson
vice-president

Continental Commercial
National Bank of Chicago

1914

CAPITAL, SURPLUS AND UNDIVIDED PROFITS \$ 30,000,000

Continental and Commercial National Bank of Chicago

GEORGE M. REYNOLDS, PRESIDENT

RALPH VAN VECHTEN, VICE PRESIDENT
ALEX ROBERTSON, VICE PRESIDENT
HERMAN WALDECK, VICE PRESIDENT
JOHN C. CRAFT, VICE PRESIDENT
JAMES R. CHAPMAN, VICE PRESIDENT
WILLIAM T. BRUCKNER, VICE PRESIDENT

NATHANIEL R. LOSCH, CASHIER
JOHN R. WASHBURN, ASST. CASHIER
HARVEY C. VERNON, ASST. CASHIER

EDWARD S. LACEY,
CHAIRMAN OF ADVISORY COMMITTEE

GEORGE B. SMITH, ASST. CASHIER
WILBER HATTERY, ASST. CASHIER
H. ERSKINE SMITH, ASST. CASHIER
WILSON W. LAMPERT, ASST. CASHIER
DAN NORMAN, ASST. CASHIER
GEORGE A. JACKSON, ASST. CASHIER

Chicago, August 21, 1914.

Benj. Strong, Jr., Esq., President,
Bankers Trust Company,
New York., N. Y.



Dear Sir:

In response to your telegram of even date,
we beg to confirm as follows:

"Your telegram received. Brokers mentioned
will supply information asked provided New York and
other note brokers do likewise and that they be sup-
plied with the results when compilation is completed."

Mr. Waldeck has been ill for several weeks and
absent from the office and contemplates going to Atlantic City
early next week to recuperate.

Yours very truly,

Ally Waldeck
Vice President.

CAPITAL, SURPLUS AND UNDIVIDED PROFITS \$ 30,000,000

Continental and Commercial National Bank of Chicago

GEORGE M. REYNOLDS, PRESIDENT

RALPH VAN VECHTEN, VICE PRESIDENT
ALEX ROBERTSON, VICE PRESIDENT
HERMAN WALDECK, VICE PRESIDENT
JOHN C. CRAFT, VICE PRESIDENT
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WILSON W. LAMPERT, ASST. CASHIER
DAN NORMAN, ASST. CASHIER
GEORGE A. JACKSON, ASST. CASHIER

Chicago, August 22nd, 1914.

Benj. Strong, Jr., Esq.,
c/o Bankers Trust Company,

New York City.

Dear Sir,

We beg to acknowledge receipt of your telegram of even date reading as follows.

"Thanks for wire. Not important to have information. What we now have indicates considerable broadening and improvement in market. Will ask you to thank your friends and say information not now needed."

We have accordingly advised our friends, and they will not now trouble to get up the information you desire.

Yours very truly,



Vice President.

J. J. Rouse
vice-president

First National Bank
Cincinnati

1921

FEDERAL RESERVE BANK
OF NEW YORK

COPY TRANSLATION OF
TELEGRAM

CASH DEPARTMENT
WIRE TRANSFER DIVISION

TO

H.P. Murphy
Gen. Strong

DATE

Gen. O.
11/18/21

NO. B 33894

*Answering telegram called
upon gentleman mentioned
who said would be
pleased to cooperate.*

John J. Rowe.

Charge to the account of Benj. Strong, 15 Nassau St.

\$

CLASS OF SERVICE DESIRED	
Telegram	
Day Letter	
Night Message	
Night Letter	
Patrons should mark an X opposite the class of service desired; OTHERWISE THE MESSAGE WILL BE TRANSMITTED AS A FULL-RATE TELEGRAM	

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filed

Send the following message, subject to the terms
on back hereof, which are hereby agreed to

November 17, 1921.

J. J. Rowe

Vice President, First National Bank,
Cincinnati, Ohio

My associates in the National Budget Committee are anxious to secure the active cooperation of Mr. Charles Taft in the work of the organization. Could you assist us in persuading him that this important work deserves his earnest consideration. The ultimate success of plans at last inaugurated for sound government finance depends upon the continued interest of the public which will only be accomplished through the energetic support of men of influence. Please wire me care of Federal Reserve Bank

Benj. Strong

ALL MESSAGES TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS:

To guard against mistakes or delays, the sender of a message should order it REPEATED, that is, telegraphed back to the originating office for comparison. For this, one-half the unrepeated message rate is charged in addition. Unless otherwise indicated on its face, THIS IS AN UNREPEATED MESSAGE AND PAID FOR AS SUCH, in consideration whereof it is agreed between the sender of the message and this Company as follows:

1. The Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any UNREPEATED message, beyond the amount received for sending the same; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any REPEATED message, beyond fifty times the sum received for sending the same, *unless specially valued*; nor in any case for delays arising from unavoidable interruption in the working of its lines; *nor for errors in cipher or obscure messages.*

2. In any event the Company shall not be liable for damages for any mistakes or delays in the transmission or delivery, or for the non-delivery, of this message, whether caused by the negligence of its servants or otherwise, beyond the sum of FIFTY DOLLARS, at which amount this message is hereby valued, unless a greater value is stated in writing hereon at the time the message is offered to the Company for transmission, and an additional sum paid or agreed to be paid based on such value equal to one-tenth of one per cent. thereof.

3. The Company is hereby made the agent of the sender, without liability, to forward this message over the lines of any other Company when necessary to reach its destination.

4. Messages will be delivered free within one-half mile of the Company's office in towns of 5,000 population or less, and within one mile of such office in other cities or towns. Beyond these limits the Company does not undertake to make delivery, but will, without liability, at the sender's request, as his agent and at his expense, endeavor to contract for him for such delivery at a reasonable price.

5. No responsibility attaches to this Company concerning messages until the same are accepted at one of its transmitting offices; and if a message is sent to such office by one of the Company's messengers, he acts for that purpose as the agent of the sender.

6. The Company will not be liable for damages or statutory penalties in any case where the claim is not presented in writing within sixty days after the message is filed with the Company for transmission.

7. *Special terms governing the transmission of messages under the classes of messages enumerated below shall apply to messages in each of such respective classes in addition to all the foregoing terms.*

8. *No employee of the Company is authorized to vary the foregoing.*

THE WESTERN UNION TELEGRAPH COMPANY
INCORPORATED
NEWCOMB CARLTON, PRESIDENT

CLASSES OF SERVICE

TELEGRAMS

A full-rate expedited service.

NIGHT MESSAGES

Accepted up to 2.00 A.M. at reduced rates to be sent during the night and delivered not earlier than the morning of the ensuing business day.

Night Messages may at the option of the Telegraph Company be mailed at destination to the addressees, and the Company shall be deemed to have discharged its obligation in such cases with respect to delivery by mailing such Night Messages at destination, postage prepaid.

DAY LETTERS

A deferred day service at rates lower than the standard telegram rates as follows: One and one-half times the standard Night Letter rate for the transmission of 50 words or less and one-fifth of the initial rates for each additional 10 words or less.

SPECIAL TERMS APPLYING TO DAY LETTERS:

In further consideration of the reduced rate for this special "Day Letter" service, the following special terms in addition to those enumerated above are hereby agreed to:

A. Day Letters may be forwarded by the Telegraph Company as a deferred service and the transmission and delivery of such Day Letters is, in all respects, subordinate to the priority of transmission and delivery of regular telegrams.

B. Day Letters shall be written in plain English. Code language is not permissible.

C. This Day Letter may be delivered by the Telegraph Company by telephoning the same to the addressee, and such delivery shall be a complete discharge of the obligation of the Telegraph Company to deliver.

D. This Day Letter is received subject to the express understanding and agreement that the Company does not undertake that a Day Letter shall be delivered on the day of its date absolutely and at all events; but that the Company's obligation in this respect is subject to the condition that there shall remain sufficient time for the transmission and delivery of such Day Letter on the day of its date during regular office hours, subject to the priority of the transmission of regular telegrams under the conditions named above.

No employee of the Company is authorized to vary the foregoing.

NIGHT LETTERS

Accepted up to 2.00 A.M. for delivery on the morning of the ensuing business day, at rates still lower than standard night message rates, as follows: The standard telegram rate for 10 words shall be charged for the transmission of 50 words or less, and one-fifth of such standard telegram rate for 10 words shall be charged for each additional 10 words or less.

SPECIAL TERMS APPLYING TO NIGHT LETTERS:

In further consideration of the reduced rate for this special "Night Letter" service, the following special terms in addition to those enumerated above are hereby agreed to:

A. Night Letters may at the option of the Telegraph Company be mailed at destination to the addressees, and the Company shall be deemed to have discharged its obligation in such cases with respect to delivery by mailing such Night Letters at destination, postage prepaid.

B. Night Letters shall be written in plain English. Code language is not permissible.

No employee of the Company is authorized to vary the foregoing.

COPY OF LETTER

November 18, 1921.

FIRST NATIONAL BANK

CINCINNATI, O.

Mr. Benjamin Strong,
Federal Reserve Bank,
New York City, N. Y.

Dear Mr. Strong:

Upon receipt of your wire to-day, as I wired you, I called upon Mr. G. P. Taft, and he told me that he was much in sympathy with the work of your Committee. He said he would be glad to cooperate personally and further would see that the movement received the support of the Cincinnati Times Star.

With best wishes for the success of the work undertaken by your Committee, I am,

Yours truly,

(Signed) J. J. Rowe,
Vice President.

November 21, 1921.

Dear Mr. Rowe:

I thank you for your letter of the 18th, and your telegram of the 19th, advising that you called upon Mr. Taft and that he will be pleased to cooperate personally in connection with the activities of the National Budget Committee, and would see that the movement received the support of the Cincinnati Times Star.

It was most kind of you to bring the matter before Mr. Taft, and I greatly appreciate your help.

With cordial regards, and renewed thanks, believe me,

Yours sincerely,

John J. Rowe, Esq.,
Vice President, First National Bank,
Cincinnati, Ohio.

GB:MM

g. E. F.weeney

president

First National Bank

Kansas City

1914

E. F. SWINNEY, President
H. T. ABERNATHY, Vice-President
A. C. JOBES, Vice-President
C. G. HUTCHESON, Cashier
G. P. REICHEL, Ass't. Cashier
C. W. ALLENDOERFER, Ass't. Cashier

THE FIRST NATIONAL BANK
OF KANSAS CITY, MO.

CAPITAL - - \$1,000,000.00
SURPLUS - - \$1,000,000.00
UNDIVIDED PROFITS - - \$1,000,000.00

September 26, 1914.

235
Mr. Benjamin Strong, Jr.,
Bankers Trust Company,
New York City.

B.A. Jr.
SEP 28 1914

My dear Mr. Strong:

Yours of September 23rd is received. I had letter from Mr. Forgan yesterday saying that the amount Kansas City would be asked to furnish pertaining to raising the \$100,000,000 in gold, would be \$1,000,000. We had meeting yesterday and decided at once that we would be more than glad to comply with the request.

I hope there will be no trouble in consummating the deal. It is a proposition we are not clear upon, though, as we were under the impression when we met yesterday that we were to simply give New York the gold and get credit on their books for same at once. I am afraid some of the banks here, when they find that this is a syndicate to handle exchange, may not be so enthusiastic about the proposition.

Very truly yours,

E. F. Swinney
President.

W. M. A. Taylor
President
First National Bank
of Chicago
1925

TO BE RELEASED AFTERNOON PAPERS JULY 11, 1925.

From a speech of M. A. Traylor, President
First National Bank of Chicago, before the
Montana Bankers Convention Glacier National
Park, to be released July 11, 1925.

Throughout the entire period of depression, which began in 1920, the live stock industry has suffered perhaps more severely and continuously than any other industry in the country. A great deal has been said about the conditions of the live stock producer both in Congress and out. Many reasons have been advanced for the smash up in the industry, and even more remedies have been suggested looking to the recovery and rehabilitation of the business. Perhaps all of the suggested causes were more or less correct, but personally I think it doubtful if many of the remedies have possessed any considerable merit.

Without any fear of successful contradiction I think it may be said with a good deal of emphasis that the fundamental causes - first, of the tremendous shrinkage in values which over-took live stock prices, and second, that have since contributed to their very slow recovery - are those with which we have been familiar throughout all our history and which have affected every line of endeavor in exactly the same manner when applied, as they were applied to live stock production. The facts simply are a case of over production, and following the war, a curtailed demand. As applied to cattle, which have suffered and which continue to suffer most severely, figures indicate that for several years prior to the outbreak of the world war, supplies had little more than, if, equalled the increasing demand of a growing population. In fact the number of cattle in the country in 1914 were less than in 1907, whereas, due to the demand of the world war and stimulated by a flood of easy

money for financing the industry, the number of cattle other than milk cows in the country increased from 1914 to 1920 more than eight million head or about 23%; whereas the population in the United States in this period increased only approximately 6 1/2%. Since 1920 there has been a substantial shrinkage in the number of such cattle in the county, and yet we find in 1925 that the estimated number of cattle is approximately 18% more than in 1914, while the total population increase in the period of 1914-1925 is only about 13%.

In view of these facts, we could have expected nothing else than that when the war demand ceased and producers were thrown back upon the consumptive demand largely of our own population, we would meet a decline in values such as occurred in 1920. Nor is there any reason for surprise that prices have not improved in the period subsequent to 1920, because the supply has simply been out of proportion to our domestic demand, and we have not been able to recover any substantial export business for beef products. We hear a great deal of complaint these days about the American demand and criticism in some directions because the American people do not eat more beef, but the last figures available indicate that we are still consuming in excess of 165 pounds per person per year, which is no mean showing and quite the average, and it seems to me that we may look for little relief in that direction as long as our supplies continue in the quantity now available.

If we are correct in these fundamental facts then what is the future of the industry and may we hope again to see the producers of live stock rewarded in proportion to their investment and cost of production. It does no good to criticise the actions of those who financed the industry or of the producers themselves in what has passed. It may be admitted without argument that the financing of the industry, in the period from 1914-1920

particularly, was extravagant, unsound and even reckless, but there were two

parties to the contracts for borrowed money, and the producer on his end was equally responsible with those who financed the industry for the foolish things done by both. In saying this it must be kept in mind also that in every other industry, and in every other line, borrowers and lenders were equally unwise and unsound, and we must keep in mind also that those in other activities suffered equally and in some instances perhaps more severely than did the lenders and producers in the live stock industry. That whole picture is of the past, and just as bankers and business men in other lines of activity have had to "right about face," clean house and plan along wiser and safer lines, so must the producer of live stock chart a new course for his future operations.

I would not undertake to prophesy as to what this new schedule will be, but looking back over some twenty years more or less intimate contact with the industry, it seems to me that there are a few salient facts which those who would engage in the enterprise in the future should not overlook. First of all, it will never again be profitable to operate large herds of mediocre stuff. Most of the grazing lands in the country, whether rightly or not, are now held at too high figures to ever permit successful operation after the old fashion, and the prohibitive cost of doing business in the old way, with the incident death loss and other wastage suffered by the big operator, are too tremendous to permit a continuation of production on that scale.

As in every other line of activity, it seems to me that the future successful live stock producer will be that one who intensively and intelligently handles a smaller herd of the higher grade stuff, where personal attention and close application to every detail of the business will make it possible to turn out in the shortest period of time the most desirable qualities of stuff. I may be wrong, but it has always seemed economically unsound to me to continuously stock northern pastures with southern bred cattle.

The hazard involved of transportation, acclimatization and the long period necessary thereafter to prepare for market beef after this fashion, is in my opinion too great to warrant its continuation, and my guess is that the successful growers of live stock in Montana in the future will be those who with care select their foundation herds, breed their own offspring, and at one or two years old prepare this young stuff, in part in the feed lots of this state and in part for the feed lots of the central Mississippi Valley states. Together with this scientific production we must have intelligent education of the value of beef as a food product and untiring effort to increase consumption in this country, with a policy of broadly extending our export demand. In this connection there has been no more important event for the farmer and stock man of Montana since the Armistice than the recent return of Great Britain to the gold standard. It seems a long distance from the Montana farm to the gold vaults of the Bank of England, but as a matter of fact, the price which the Montana farmer gets for his wheat and cattle depends not a little on the gold in the vaults of the Bank of England. Let me explain.

The farmer sells his wheat to the elevator man and yet the real buyer, in many cases, is not the elevator man at all but an Englishman, a Frenchman, a German, or an Italian, whom the farmer never sees, for about one-third of the wheat crop is usually sold abroad, either in grain or in flour, and it is this exportable part of the crop, varying from year to year, which is a large factor in fixing the price of the entire crop.

Between the farmer and the unseen foreign buyer of wheat there are many steps, but in recent years the most important step has been that at which the foreign buyer has to pay the American exporter. For the international mechanism of payment has been badly out of order because Europe was off the gold standard.

It is just as though an English buyer drove up to your farm house,

bargained for your wheat and drew up the contract. But when you discussed

payment, he said: "I'm sorry I haven't any good United States money to pay you with; I'll have to pay you in my English paper money, which isn't worth its face value in gold. I don't know what it may be worth next week, but that is your risk."

I wonder how many of you would be willing to sign contracts on this basis. Yet that is the way most of the world's trade has had to be carried on since the Armistice. In practically all countries except the United States the local currencies have had no fixed value in gold, but have changed in value from day to day. Whenever one country sold anything to another country, somebody had to take the risk of loss because the value of the money might change before payment was made.

Such uncertainty of payment is a deadly foe to trade, and people were afraid to do any larger international business than they had to. World trade in 1920, 1921 and 1922 dropped off to a point nearly one-third less than before the war. Exports of food stuffs from the United States fell from 2 1/2 billion dollars in 1919 to eight hundred millions in 1923, and the difficulties of European buyers in making satisfactory payment for American farm products was one of the large factors in the drop in the prices of farm products.

But now the recent action of Great Britain in declaring that it will again redeem its paper money in gold means that British buyers of American products can pay for them with money which has a fixed value, money which is accepted the world over at its face value in gold. With the return of Great Britain to the gold standard, a majority of the countries of Europe now have paper currencies equal to gold.

American bankers have assisted in the British return to the gold standard by giving a \$100,000,000 credit to the British government. But more important than this was the action of your Federal Reserve Bank and the other eleven reserve banks in granting the request of the Bank of England for material

co-operation. They have, as you know, placed \$200,000,000 gold at the disposal of the Bank of England for two years, to be used by it, if necessary, in maintaining the gold standard. I have no doubt that the readiness of the Reserve Banks thus to co-operate with the Bank of England was an important influence in the willingness of the British people to take this all important step for the preservation of the gold standard.

This action of the Reserve Banks was a most constructive step in aid of American farmers and producers who will benefit greatly by the removal of this element of uncertainty from their export transactions.

If all the sins of omission and commission charged against the Federal Reserve System by banker, business man, live stock man or political blatherskite in the last five years were true, and practically none of them are, the service rendered the commerce and industry of the country and of the world by the System in connection with the restoration of the gold standard in so large a part of the world would far outweigh any mistake that those in charge of the System may have made; and no banker, business man or farmer should permit any self serving declaration by favor seeking demagogue to swerve him from a determination to see that the System is maintained and preserved for the future welfare of the business of the country.

Not alone in connection with this matter, however, has the Federal Reserve System been of service to our people. Notwithstanding we hear frequently these days expressions of dissatisfaction with business conditions, we know very well that fundamentally conditions are very sound and that we are actually doing a very large volume of business, no little part of which is due to the equalizing and stabilizing effect exercised by the Federal Reserve System on the credits of the country. Throughout all the stress of the last five years there have been no times of either stringency or plethora of bank credit. Rates

have run along on a rather level keel and in my judgment have had much to do with the

stable volume of business which we have enjoyed, and which is quite contrary to the old experience of the aftermath of panics, when the first effect has been very cheap credit and secondary inflation, with its accompaniment of tight money again and a further depression.

Whether the new method of conducting the business of the country is to be permanent or not, one cannot very well guess; but it is very certain that at the present time the so-called hand to mouth buying is very soundly entrenched, that it is sane and makes for steadier and more wholesome conditions seems to me obvious. With greatly expanded facilities for manufacture, with the best transportation system in the world, and with assured credit facilities for handling the needs of business, it would seem unreasonable that we should in the near future resort to the old method of speculation such as is inseparably tied up with large future commitments in anticipation of buying demands. If we will preserve our transportation system in its present state of efficiency, together with a credit structure as only the Federal Reserve System can guarantee, I feel we need have no apprehension but on the contrary sound optimism for the future.

- TARIFF IN KIND: On the plea of necessity by the War Department to accumulate and store stocks of essential supplies of limited domestic production, such as manganese, the proposal is being tested in official circles that a special tariff be imposed on such commodities, payable in kind instead of in cash and turned over to the Department. Permission granted to the Navy, under an appropriation bill, to bring in emergency material duty-free is being pointed to as a precedent by which the plan might be carried out without tinkering with the tariff law. So far, strenuous objection to the proposal has been voiced in the Treasury.
4. GOLD: A similar use of the tariff is being urged to stimulate gold production by those who formerly supported the McFadden bill which would have subsidized producers through an excise tax on gold used in the arts. The proposal now is to allocate a percentage of customs receipts from a specific list of commodities to a fund from which would be paid a bonus to gold producers of, say, one cent per pennyweight for each point of the price index above the 1913 average. It is asserted by one group of official economists that a "long-view" of world gold production forecasts a short supply to maintain the gold standard at an increased price level like the present unless rigid economies are practised in the use of the metal and its production is increased by the mining of low grade ores under governmental encouragement.

There is considerable opinion to the effect that important European countries contemplating a return to a gold basis will find it advantageous to agree with the United States upon a common program and announce their policies simultaneously. Otherwise, it is argued, there will be an unfavorable reaction on the currencies of the lagging nations which will become more and more pronounced as the number of those adopting the gold standard increases.

5. TAXES: Although as yet little is being said about it publicly, much thought is being devoted by Administration fiscal experts in the direction of reducing the tax on corporate income. Doubt exists as to the political expediency of recommending a flat reduction from the present 12 $\frac{1}{2}$ %. It would not be surprising,

"The present", said Melvin A. Traylor, president of the First National Bank and the First Trust and Savings Bank, both of Chicago, "appears to be open season for criticisms of the Federal Reserve System; and this is to be expected, since the charters of the regional banks have so short a time to run. It is to be hoped that as the discussion proceeds it may clarify itself -- and especially that a sharp line, easily discerned, may be drawn between criticism of the system itself and criticism of its administration under the law, which are two very different things. Without attempting in any way to anticipate the results of the general discussion, it seems to me important that the basic, though probably unintentional, unfairness of one criticism frequently heard should be unflinchingly pointed out. I mean criticism leveled at the Federal Reserve Board and especially the Board of the Federal Reserve Bank of New York, for maintaining a discount rate so low as to lend color to the facile charge that the price the business public pays for money has been 'artificially depressed'.

"The facts may not be called in question. Money rates have been low. To what extent, however, this condition is a reflection of the Federal Reserve re-discount rates is another matter, that such low rates have reduced profits of bankers and have had collateral effects in other parts of the financial field is true. But we must look a little farther before we condemn. An efficient banking system must do much more than give effect to natural financial laws -- in fact, one of its most important functions is to head off certain operations of natural law. Given a business public that sometimes loses its head, as every commercial people whose doings are of record has occasionally done, and you must have somewhere a power that can be exercised to mitigate the consequences which natural law attaches to hasty and unwise actions. Closely akin to this is the power to strengthen by appropriate action, a place in the financial fabric where there is special strain. This is what has happened in the present instance. The power

to control the discount rate -- without which there could be no effective central banking system -- is in its very nature nothing more or less than the power to 'interfere with the outworking of natural financial law'. "Let us take it for granted that there have been manifest disadvantages resulting from 'abnormally low' money rates; what have we to set down on the credit side of the account? The most hopeful financial event since August 1, 1914 -- England's return to the gold standard.

"What is the test of the maintenance by a nation of the gold standard? The ability of anyone holding an obligation payable in the currency of that nation to get gold for it. The existence of ample gold reserves is an important factor in such maintenance; but still more important is a money market which can instantly command gold from other money centres, to meet any need that may arise. From the date of the establishment of the gold standard in England early in the last century up till August, 1914, there were many times when the gold reserves in London were not great; but the obligations of the bankers and merchants of other nations were held in London in such volume that a rise in the discount rate would instantly command gold from Paris, Amsterdam, Frankfurt, and other financial capitals, the gold flowing freely to London because the holders of it knew that the resources of the London market were such that they could command it again at need. Gold went to London in obedience to the same law that draws live stock and iron ore to Chicago -- the law that a thing for sale naturally gravitates to the best market.

"The restoration of the gold standard in England could only come about by a restoration of London's ability to command gold enough so that any man with an obligation payable in London could command gold for it. But how was this condition to be met when the one-sidedness of America's international trade was continually piling up gold in New York? Obviously the way to attract gold to London from New York was to make London a place where gold could be more profitably employed in short, to raise the rate paid for its use above the rate paid in New York.

Whether the Federal Reserve Board or the Board of the Federal Reserve Bank in New York, in the adjustment of the rate of the New York bank, had in mind any direct assistance to those in authority in finance in Great Britain, I do not know, but by establishing a minimum rediscount rate of 3% for the New York bank, they did undoubtedly contribute greatly to the solution of the task confronting the British authorities, and without question made it easier to bring the pound sterling nearer to par, which moment eventuated in the return to the gold standard. This restoration of the gold standard has braced and reenforced the confidence of every business man in the world.

"All discussion as to whether the low discount rate prevailing in New York is 'a good thing in itself' is utterly useless and beside the point. Nothing in finance ever stands by itself. Money and credit are as international as the sea; there is just one set of levels for the whole world. The practical question raised by the low discount rates complained of is this: Is the restoration of the gold standard by England of enough value to us in our position both as the greatest creditor nation of the world and as the greatest producer of some half-dozen of the world's principal raw materials to be worth whatever scaling down of profits and other incidental losses and inconveniences we have suffered through low rates for money? There can be but one answer. Our action has meant much for England, but we ourselves have been beneficiaries in an amount out of all proportion to the cost. We have been strengthening the foundations of our own house. The action of the Federal Reserve officials was economic statesmanship of the highest order. Its full significance may be comprehended only by the few; but its practical benefits will be shared by the least and humblest of our workers, and by those dependent on them."