

No. 010.0

Federal Reserve Bank
District No. 2
Correspondence Files Division

STRONG PAPERS

SUBJECT

U.S. PRESIDENTS

2.) SPECIAL ASSISTANTS

a.) COL. E. M. HOUSE

b.) JUDSON C. WELLIUER



This is to certify that the attached photograph bears the signature, and is a likeness of, the person to whom this passport is issued, in witness whereof the seal of the Department of State is impressed upon the photograph.

Good only for six months from date, unless renewed by a diplomatic or consular officer.

The person to whom this passport is issued has declared under oath that he desires it for use in visiting the countries hereinafter named.

For the following objects:
England Banking Business
France
Holland



This passport is not valid for use in other countries except for necessary transit to or from the countries named, unless amended by an American diplomatic or principal consular officer.

United States of America, Department of State.

To all to whom these presents shall come, Greeting:

I, the undersigned, Secretary of State of the United States of America, hereby request all whom it may concern to permit Benjamin Strong Jr. a Citizen of the United States

Description,

Age 33 Years
Stature 6 Feet 3/4 Inches Eng.
Forehead high
Eyes brown
Nose large
Mouth medium
Chin pointed
Hair dark
Complexion brunette
Face long

safely and freely to pass, and, in case of need, to give him all lawful Aid and Protection.



Given under my hand and the Seal of the Department of State, at the City of Washington, the 20th day of January in the year 1916, and of the Independence of the United States the one hundred and fortieth.

Signature of the Bearer.

Benjamin Strong Jr.

CANCELED
No. 15607

Philo Lanning



GOOD. CONSUL GENERAL OF THE UNITED STATES OF AMERICA. LONDON Feb 14 1916

William W. ...



Vu au **Consulat General de France**

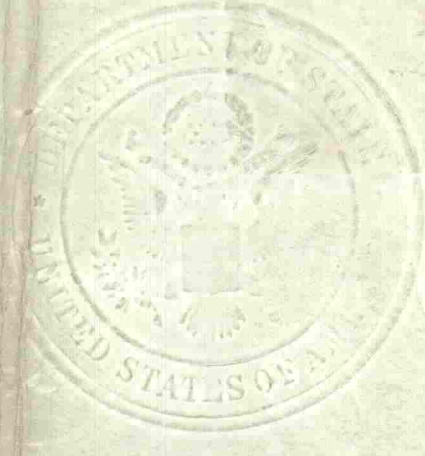
New York JAN 25 1916

*N^o 386
10 francs
\$1.60*

Pour le Consul General et par autorisation

Levallois

Travelling to the UNITED KINGDOM.
SEEN AT THE BRITISH CONSULATE GENERAL
NEW YORK U.S.A. THIS *Thirty first.*
DAY OF *January* 1916.



Visa: Among W.

Seen and countersigned at the port of New York, *22/16*

W. W. Le Mat

Agent of the Department of State

J. J. Ross



PERMIT OFFICE, PARIS.

BEARER IS PROCEEDING TO *W. W.*

IN THE UNITED KINGDOM

VIA *Dieppe*

ADDRESS *60 Rue de la Harpe - Paris*

FOR PURPOSE OF *private & then*

SIGNATURE *W. W. Le Mat* DATE *3/2/16*

This Passport has been presented at the British Consulate at Paris by the bearer who declares his intention of proceeding to the United Kingdom for the purpose of *returning to America*

This visa is valid for the present journey to England
British Vice-Consul, Paris

March 3. 1916. Montagu & Co. H.B.M. Consul.



BON

Benjamin Levallois
Vice-Consul des Etats-Unis d'Amerique
à Paris, France
No. 2066.

Paris
d'Amerique à Paris, France
La Seine-Meuse - 1916.

Description,

Age 3 Years
Stature 6 Feet 3/4 Inches Eng.
Forehead high
Eyes brown
Nose large
Mouth medium
Chin pointed
Hair dark
Complexion brunette
Face long

Signature of the Bearer.

Benjamin Brown Jr.

Benjamin Brown Jr.
a Citizen of the United States

and is hereby authorized to pass, and in case of need to give
him all lawful Aid and Protection.



Given under my hand and the
Seal of the Department of State,
at the City of Washington,
the 20th day of January
in the year 1916, and of the
Independence of the United States
the one hundred and fortieth.

Phil Louswig

CANCELED



GOOD.
CONSUL GENERAL OF THE UNITED STATES OF AMERICA,
LONDON Feb 14 1916
Richard Wetmore
CONSUL OF THE UNITED STATES
OF AMERICA AT LONDON, ENGLAND.



This is to certify that the attached photograph bears the signature, and is a likeness of, the person to whom this passport is issued. In witness whereof the seal of the Department of State is impressed upon the photograph.



Good only for six months from date, unless renewed by a diplomatic or consular officer.

9

The person to whom this passport is issued has declared under oath that he desires it for use in visiting the countries hereinafter named,

for the following objects:
England *Banking Business*
(name of country) (subject of visit)
France *g*
(name of country) (subject of visit)
Holland *g*
(name of country) (subject of visit)

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United States of America,
Department of State.

To all to whom these presents shall come, Greeting:

I the undersigned, Secretary of State of the United States of America,
hereby request all whom it may concern to permit

Travelling to the UNITED KINGDOM.
SEEN AT THE BRITISH CONSULATE GENERAL
NEW YORK U.S.A. THIS *Thirty first*
DAY OF *January* 1916.



72
Vu au Consulat General
de France
New York JAN 25 1916

20386
10 francs
1/16

Pour le Consul General
et par autorisation

Lucas



Bearer: *Amory W.*



Seen and countersigned at the port
of New York, *22/16*

W. C. LeMat

Agent of the Department of State

J. Ross

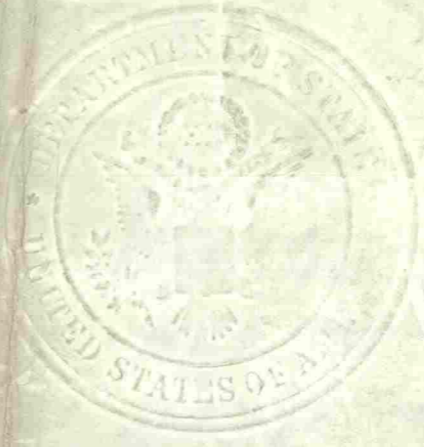
PERMIT OFFICE, PARIS.

BEARER IS PROCEEDING TO *London*

IN THE UNITED KINGDOM

VIA *Briffe*

ADDRESS *610 Avenue - Kings Lane*



APR 1916
LIVERPOOL
96674

FOR PURPOSE OF *private & American*
SIGNATURE *[Handwritten Signature]* DATE *3/3/16*

This Passport has been presented at the British Consulate at Paris by the bearer who declares his intention of proceeding to the Kingdom for the purpose of *returning to America*

This passport is valid for the present journey to England
British Vice-Consul, Paris

*March 3. 1916. Montagu S. Loftus
H.B.M. Consul.*



COMMISSARIAT SPÉCIAL
DIEPPE
1-4 MARS 1916
EMBARQUEMENT

Beauvais la route de Dieppe

BON
Commissaire Général des Etats-Unis
d'Amérique à Paris, France
La Trinité-Martinique - 1916.
[Signature]
Vice-Consul des Etats-Unis d'Amérique
à Paris, France
No. 2066.

CHANCELLER

PERMIT OFFICE, PARIS.
BEARER IS PROCEEDING TO
IN THE UNITED KINGDOM
VIA
1/17/16

DEPARTMENT
17 FEB. 1916
SPECIAL DE OFFICE

FALMOUTH
ALIENS OFFICER
1 FEB. 1916

[Signature]
Agent of the Department of State

NEW YORK
7 FEB. 1916
L. K. ESTON

Open and countersigned at the port
of New York, *2/9/16*
W. J. [Signature]

H. M. [Signature]
Consul General
NEW YORK

CONSUL GENERAL
NEW YORK

Traveling to the UNITED KINGDOM.
SEEN AT THE BRITISH CONSULATE GENERAL
NEW YORK U.S.A. THIS *thirty first*
DAY OF *January* 1916

Consulat General
de France
New York
JAN 25 1916
No 386
Pour le Consul General
et par autorisation
[Signature]

CONSUL
NEW YORK, N. Y.

CONSUL
NEW YORK, N. Y.

Gezien op het Consulaat Generaal der Nederlanden voor legalisatie van
de handteekening van *Robert Lansing, Secretary*
of State, Washington, Verenigde Staten
van Amerika

CONSULAAT GENERAAL DER NEDERLANDEN
NEW YORK, N. Y.

New-York, den *31 Januarij, 1916.*

De Consul Generaal der Nederlanden

Quasimus Nakhuyzen

a) Col E M House

AUG 18 1915

Governor Benjamin Strong,
62 Cedar Street, New York.

Dear Governor Strong:

Thank you for your letter of August 14th giving your opinion in regard to the exchange situation.

I sincerely hope some way out may be found and I believe there will be.

McAdoo is alive to the situation and I believe he will cooperate with you in every way possible.

Faithfully yours,

Manchester, Massachusetts.

August 16th, 1915.

House

[From Benjamin Strong Jr.]

83

Q. A. H.

17 1915

[Handwritten signature]

[Handwritten signature]

[From Benjamin Strong]

WESTERN UNION TELEGRAM

Form 260

GEORGE W. E. ATKINS, VICE-PRESIDENT

NEWCOMB CARLTON, PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

RECEIVER'S No.	TIME FILED	CHECK
----------------	------------	-------

SEND the following Telegram, subject to the terms on back hereof, which are hereby agreed to

August 3, 1915.

Col. F. H. Young,
Manchester, Mass.

Am spending Saturday and Sunday at Wood's Hole. Could arrange to go on to Manchester Friday or Monday to continue our conversation if you think it desirable. Would appreciate telegram.

Benj. Strong, Jr.

Charge to Federal Reserve Bank,
62 Cedar Street.

[Firm Benjamin Clark Jr]

SERVICE	SYMBOL
Message	
Letter	Blue
Message	Nite
Letter	N L

If these three symbols appear after the check (number of words) this is a day message. Otherwise its character is indicated by the symbol appearing after the check.

WESTERN UNION



TELEGRAM

CLASS OF SERVICE	SYMBOL
Day Message	
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 day message. Otherwise its character is indicated by the symbol appearing after the check.

NEWCOMB CARLTON, PRESIDENT
 GEORGE W. E. ATKINS, VICE-PRESIDENT BELVIDERE BROOKS, VICE-PRESIDENT

WED AT

D2908 8 MANCHESTER MASS 15 P 3

GOV BENJ STRONG JR / 1321

FEDERAL RESERVE BANK NEW YORK

I SHALL BE DELIGHTED TO SEE YOU FRIDAY

E M HOUSE.

[From Benjamin Strong Jr.]

WESTERN UNION TELEGRAM

Form 260

E. W. E. ATKINS, VICE-PRESIDENT

NEWCOMB CARLTON, PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

OPERATOR'S No.	TIME FILED	CHECK
----------------	------------	-------

SEND the following Telegram, subject to the terms on hereof, which are hereby agreed to

August 5th, 1915.

Col. W. M. House,
Manchester, Mass.

Will be at your house fairly early Friday morning and hope that will be convenient for you. Thank you for your telegram.

Benjamin Strong, Jr.

to
Federal Reserve Bank,
67 Cedar Street

loan here. I have reluctantly approved of delegation going your side if only to let authorities and joint stock banks appreciate at first hand real conditions United States. I am tired of explaining difference between your market and ours. Only remedy seemed to me to let them go and see for themselves.

Chancellor was grateful for your offer of issue of 1-year notes, but had evidently been persuaded to accept joint stock banks' advice which I hope may turn out to be wise policy.

Authorities absent till Monday evening.

That plan they talk about with the Allies undoubtedly refers to a cable that he sent us on August 18th, 6867:

For J. P. Morgan. For your information only. Exchange situation. No definite steps have yet been taken but as far as I can gather, last proposal is to arrange shipment up to £100,000,000 from Allies. This is not authentic, and sent only to keep you posted as to rumors.

That is gold, of course.

Senator CLARK. I call attention to a letter from the files of Mr. Benjamin Strong, dated August 14, 1915, indicating that he was getting into the situation, directed to Colonel E. M. House, Manchester, Mass. [reading "Exhibit No. 2217"]:

MY DEAR COLONEL HOUSE:

Referring to our conversation of a week ago. You have doubtless observed that matters are developing along the lines of our discussion. Sterling exchange sold yesterday below 4.71.

This was the 14th. That was the very day that you stood out from under, was it not?

Mr. WHITNEY. The day after.

Senator CLARK (continuing reading):

The newspapers are reporting very considerably cancelations of foreign contracts for wheat and other commodities. The cancelation of contracts for grain is reported to be due to military developments at the Dardanelles, which may shortly release large quantities of Russian wheat. This seems hardly probable and, if rumors now appearing in the newspapers are well-grounded (although I suppose they are considerably exaggerated) I am inclined to believe that the cause is inability to get remittances. It is a striking illustration of the possible effect upon our trade growing out of inability to arrange credits in this country.

If exchange declines very sharply so that all the profit on a purchase of goods contracted for in this country is gone before the goods are exported, and the purchaser is in a position to cancel the contract, he will, of course, cancel in every instance even though he has to buy again later, possibly after contracting for his exchange in advance.

The situation is undoubtedly growing increasingly difficult with each day's decline in exchange and while I don't see anything yet to be alarmed about, I still believe that at present rates, with the prospect of still lower rates, the influence is gradually growing stronger to curtail our export business.

With kindest regards, I beg to remain,

Very truly yours,

(The document referred to was marked "Exhibit No. 2217" and appears in full in the text.)

Senator CLARK. Do you know anything about Governor Strong's writing this letter to Colonel House?

Mr. LAMONT. What is the date of it?

Senator CLARK. Dated August 14.

Mr. LAMONT. I could not know anything about it.

Senator CLARK. Did you, so far as you know, or any member of your firm, discuss the matter with Governor Strong?

MAILING DEPT

83

AUG 18 1915

FEDERAL RESERVE BANK

Governor Benjamin Strong,

AUG 17 1915

62 Cedar Street, New York.

Dear Governor Strong:

Thank you for your letter of August 14th giving your opinion in regard to the exchange situation.

I sincerely hope some way out may be found and I believe there will be.

McAdoo is alive to the situation and I believe he will cooperate with you in every way possible.

Faithfully yours,

W. B. E. Howe

Manchester, Massachusetts.

Howe

August 16th, 1915.

JULY 7TH, 1917.

MY DEAR COLONEL HOUSE: In preparing a memorandum of our conversation of Tuesday, I find we covered so much ground that to do so with necessary brevity may impair its usefulness. The paper enclosed, however, will suggest the detail of our discussion and I hope will be of service.

As to certain difficulties which have developed: What I stated to you was with a desire to be helpful, as every consideration is due to those who are trying to carry too heavy a burden of work to do it justice. The trouble was primarily due to failure to develop and conclude a program in advance of transactions actually taking place; such a program not having been developed, both sides apparently failed to realize that without it misunderstandings were inevitable. Besides that, as I stated to you quite frankly, the Department is underorganized and badly needs skilled help with such division of responsibility and authority as will relieve the Secretary from the necessity of too detailed an examination of matters requiring final decision.

On the other hand, some of the representatives of our Allies have failed to consider that they are dealing with subjects with which they have had three years', and we only three months', experience and they have doubtless expected too much in the way of co-operation in these early stages of our participation in the war.

A misunderstanding of a rather serious character has developed in regard to the method of repayment of loans of the British Government negotiated through Messrs. J. P. Morgan & Company, aggregating \$400,000,000 which is carried by 67 banks and may be called for payment at any time. If it is paid out of advances being made by our Government to the British Government, it would by so much expand the program of advances and shorten the period which can be covered by available credits. I have come to the conclusion, however, that it is absolutely necessary that these loans, or at least the greater part of them, must be paid off in cash and it should be done at exactly the right time. In fact, this payment can be utilized to our advantage in connection with future financing. If it could be arranged to repay these loans in installments of \$100,000,000 each, timed so as to anticipate large further borrowings by our Government, the effect would be to create easy money all over the country as it would at once reduce interest rates in New York both time and demand, which would be reflected in every other money market in the United States. The money, at least in part, could be drawn from Government deposits in other Reserve districts.

My recommendation, therefore, would be to have the Treasury face this matter squarely, include the payment of the \$400,000,000 as a part of the program of the next few weeks or months, and let that be the means of preparing the market for future operations.

Admitting that this will necessitate application to Congress for further legislation, might not the President make this the opportunity of bringing the country to realize the gravity of the war situation, the immense demands to be made upon use if the war is to be won, and frankly ask Congress for the financial support necessary? Hesitation in regard to this course has been expressed for fear of giving comfort to Germany. My own feeling is that whatever comfort they may get out of it is a small price to pay for the many advantages of being able to rush all of our resources to the front at the earliest possible moment.

The enclosed memorandum was dictated immediately on my return but I was obliged to go to Washington and its completion has been delayed until today.

I understand the tentative program suggested on the first page is now being considered by Secretary McAdoo but he is very much hampered by the knowledge that the credits and cash at his disposal are inadequate to meet all demands.

My visit with you was a most enjoyable one and I hope you will give me opportunity to repeat it. I am leaving for Denver on Sunday.

With kindest regards, I remain,
Sincerely yours,

BENJAMIN STRONG, JR.

Colonel E. M. HOUSE.

From personal file, Strong, in file of FRB
 [7/6/17 39500]

MEMORANDUM

Advances to Allies.—A constructive program reaching certainly six months into the future, or, still better, a year, should be developed as soon as possible. As that will take time, our Treasury might well determine what advances could be made for, say, the next two months and within that limit credits could then be apportioned among our Allies according to a tentative program laid out in conference with them which would not commit us or them as to a further period until the comprehensive program was developed. I should suppose that from \$180,000,000 to \$200,000,000 a month for Great Britain and about \$100,000,000 for France would cover their needs for the next two months. As to Russia and Italy, the need is not so pressing nor for so large amounts at present.

Announcements.—The policy of announcing each advance as made strikes me as liable to cause embarrassment to us and to our Allies. If the Secretary would announce total advances to the Allies, say once a week, it would overcome this difficulty.

Financial legislation.—I am convinced that the amount provided by Congress for advances to our Allies will be inadequate for even a six months' program, that generous financial support promptly accorded at this time will be of greater value than later, and I hope that our Government will find it possible to secure all necessary legislation at this session of Congress to enable our Treasury to give our Allies the fullest possible support.

General organization.—The development of a program (financial, food, munitions, shipping, etc.), based upon existing legislation cannot be concluded satisfactorily without a better understanding of the requirements. To accomplish this, possibly the following principles might be helpful.

The whole subject of furnishing food, military supplies, transportation, and credit should be governed by considerations of military necessity. These considerations can only be weighed at the seat of war. The general policy might, therefore, be worked out by an international commission on which all of the Allies would be represented (United States, France, Great Britain, Russia, Italy), which would sit permanently in Paris, the membership of which should be composed of the ablest men available to deal with commercial, industrial, and transportation questions, as well as finance. The members of such a commission should be supported by an adequate staff of experts. It would determine priorities between the Allies, each nation retaining priority for its own needs, out of its own resources.

If such a commission were created, this country would shortly occupy its natural position toward the war. We must organize as an immense farm to produce food, an immense factory to produce military and other supplies, an immense transportation system to furnish rail and water transportation, and an immense bank to finance the purchase and transportation of material.

The organization in this country would properly direct its efforts to furnishing those things and in such quantities to the respective allied powers as recommended by the commission sitting in Paris.

The local organization in this country might consist of:

First. A purchasing board: This board would distribute and execute orders and its technical staff would see that quantity, quality, and deliveries were as required.

Second. A price fixing body or board: Such an organization would stand between the country's regular commerce and industries and our Government in its war requirements and settle questions of prices.

Third. A priority board: This organization would settle all questions of priority of delivery as between our Government and its Allies on the one hand, and other customers on the other. It should co-operate with the commission sitting in Paris.

Fourth. Foreign representation: Each of the Allied Governments must, of course, be represented here by competent commissions with full authorities, whose functions should be exercised in co-operation with the purchasing board and would include making contracts, including financial arrangements with our Treasury, paying for goods purchased, inspection before shipment, etc.

Fifth. The Treasury: The function of our Treasury in such a scheme of organization would be the normal one of raising funds, apportioning credits according to the agreed needs, and paying the bills, being governed by representations made by our representatives on the commission sitting in Paris

The organizations subordinate to the purchasing board would have a useful place in such a scheme but would be controlled in their activities, first, by the purchasing board; second, by the board fixing prices; and third, by the priority board, all of which would co-ordinate through the purchasing board as the central organization.

This general plan is based entirely upon the principle that our participation in the war and all activities growing out of it must be governed by military necessity which can only be determined at the seat of war.

Government Loans.—The experiences of the past three months convince me that a much larger credit will be needed than that now provided by Congress. A permanent, Nation-wide organization must be created at once in order to facilitate Government borrowing. Congress should, I believe, authorize a large issue of short-term notes with a greater variety of character so as to meet the needs of different classes of investors and savers and it should confer greater authority upon the Secretary of the Treasury in fixing rates of interest.

A permanent paid organization should be promptly developed by the twelve Reserve banks which could be expended and contracted as new loans were placed. At the same time a separate organization should be provided at once to develop saving in detail among all classes of people. These savings should be segregated, temporarily invested in the Government's short obligations, and then converted into permanent loans when issues are made. Only such a plan, which anticipates and earmarks in advance, will avoid increasing pressure upon our banking system and possibly its dislocation.

Currency.—Our participation in the war makes a certain expansion of bank credit necessary and inevitable. This can be sound or unsound according to the skill with which it is managed. All necessary legislation has now been enacted with the passage of the amendments to the Reserve Act and a perfectly sound expansion of vast proportions is possible, provided the Reserve banks are able to assemble a much greater proportion of the country's gold supply even than the amount already held, about \$1,300,000,000. This requires large issues of Federal Reserve notes, to take the place, dollar for dollar, of small denomination gold certificates, but if successfully conducted will place an immense burden of expense upon the Reserve banks. I would strongly urge that the Secretary of the Treasury immediately discontinue issues of gold certificates in denominations of ten and twenty dollars and that the Federal Reserve Board instruct Federal Reserve banks to furnish all requirements for currency in their respective districts by issues of Federal Reserve notes on which they should pay the shipping charges. Congress could then be asked to make an appropriation to enable the Bureau of Engraving and Printing to defray the cost of preparing Federal Reserve notes. The saving to the Government on other currency, the cost of which it now bears, will largely offset this added expense.

We are facing the possibility of a great shortage of bills of one and two dollar denomination. This can be met in advance of the fall demands, which will be heavy, by reissuing large denomination silver certificates and United States notes in one and two dollar denominations. Each Reserve bank should be instructed now to accumulate these bills against the fall demand. This will increase the vacuum to be filled by further issues of Federal Reserve notes, and the simultaneous withdrawal of gold certificates above suggested would automatically draw gold into the Reserve banks without causing comment or possible alarm.

This accumulation of gold will offer a basis for credit expansion which can be controlled within safe limits by the discount rates of the Reserve banks.

Trade with the enemy.—House Resolution No. 4960, introduced by Mr. Adamson, covers transactions in goods, but fails adequately to impose restraint upon foreign exchange transactions and shipments of gold and provides no organization for supervising such transactions. A body should be created for the purpose of supervising all possible enemy exchange operations and gold shipments, and this body should have power to require reports and production of papers and records. A letter covering this matter has been sent to Mr. Frank L. Polk, of the State Department.

Gold.—At the present time we are importing gold from England which is being re-exported to Spain, Cuba, Japan, Canada, and South American countries. The unwisdom of this development is apparent. The demand upon our credit system will shortly be so great that we must not only preserve but augment our gold base, even if it involves curtailing trade and credit transactions with neutral countries. Whatever organization is developed to deal with foreign exchange should have authority to deal with this matter.

FILING DEPT.

AUG 16 1917

83

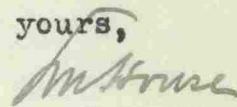
FEDERAL RESERVE BANK
Governor Benj. Strong,
Federal Reserve Bank, New York.

Dear Gov. Strong:

I want to thank you
for your letter of July 7th with its
enclosed memorandum, which will be very
helpful.

I am sorry you will be so far
away during the next few weeks, and I
shall look forward to your return.

Sincerely yours,



Magnolia, Mass.

July 9, 1917.

Exhibit No. 3161 Strong to House, July 7, 1917, personal file, Strong, p.9560

(p.III)

Exhibit No. 3161 Strong to House, July 7, 1917, personal file, Strong (p.9500)
U.S. Congress 74th Cong., 2nd Sess., Special Committee Investigating the Munitions
Industry, Hearings pursuant to S.P. Res. 206 (Washington, 1937)

Exhibit No. 3161

[Copy]

July 7th, 1917

MY DEAR COLONEL HOUSE:

In preparing a memorandum of our conversation of Tuesday, I find we covered so much ground that to do so with necessary brevity may impair its usefulness. The paper enclosed, however, will suggest the detail of our conversation and I hope will be of service.

As to certain difficulties which have developed: What I stated to you was with a desire to be helpful, as every consideration is due to those who are trying to carry too heavy a burden of work to do it justice. The trouble was primarily due to failure to develop and conclude a program in advance of transactions actually taking place; such a program not having been developed, both sides apparently failed to realize that without it misunderstandings were inevitable. Besides that, as I stated to you quite frankly, the Department is underorganized and badly needs skilled help with such division of responsibility and authority as will relieve the Secretary from the necessity of too detailed an examination of matters requiring final decision.

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[Exhibit 3161 continued]

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My visit with you was a most enjoyable one and I hope you will give me opportunity to repeat it. I am leaving for Denver on Sunday.

With kindest regards, I remain,

Sincerely yours,

BENJAMIN STRONG, JR.

Colonel E. M. HOUSE.

[p.9560]

MEMORANDUM

Advances to Allies.- A constructive program reaching certainly six months into the future, or, still better, a year, should be developed as soon as possible. As that will take time, our Treasury might well determine what advances could be made for, say, the next two months and within that limit credits could then be apportioned among our Allies according to a tentative program laid out in conference with them which would not commit us or them as to a further period until the comprehensive program was developed. I should suppose that from \$180,000,000 to \$200,000,000 a month for Great Britain and about \$100,000,000 for France would cover their needs for the next two months. As to Russia and Italy, the need is not so pressing nor for so large amounts at present.

Announcements.- The policy of announcing each advance as made strikes me as liable to cause embarrassment to us and to our Allies. If the Secretary would announce total advances to the Allies, say once a week, it would overcome this difficulty.

Financial legislation.- I am convinced that the amount provided by Congress for advances to our Allies will be inadequate for even a six months' program, that generous financial support promptly accorded at this time will be of greater value than later, and I hope that our Government will find it possible to secure all necessary legislation at this session of Congress to enable our Treasury to give our Allies the fullest possible support.

General Organization.- The development of a program (financial, food, munitions, shipping, etc.), based upon existing legislation cannot be concluded satisfactorily without a better understanding of the requirements. To accomplish this, possibly the following principles might be helpful.

The whole subject of furnishing food, military supplies, transportation, and credit should be governed by considerations of military necessity. These considerations can only be weighed at the seat of war. The general policy might, therefore, be worked out by an international commission on which all of the Allies would be represented (United States, France, Great Britain, Russia, Italy), which would sit permanently in Paris, the membership of which should be composed of the ablest men available to deal with commercial, industrial, and transportation questions, as well as finance. The members of such a commission should be supported by an adequate staff of experts. It would determine priorities be-

tween the Allies, each nation retaining priority for its own needs, out of its own resources.

If such a commission were created, this country would shortly occupy its natural position toward the war. We must organize as an immense farm to produce food, an immense factory to produce military and other supplies, an immense transportation system to furnish rail and water transportation, and an immense bank to finance the purchase and transportation of material.

The organization in this country would properly direct its efforts to furnishing those things and in such quantities to the respective allied powers as recommended by the commission sitting in Paris.

The local organization in this country might consist of:

First. A purchasing board: This board would distribute and execute orders and its technical staff would see that quantity, quality, and deliveries were as required.

Second. A price fixing body or board: Such an organization would stand between the country's regular commerce and industries and our Government in its war requirements and settle questions of prices.

Third. A priority board: This organization would settle all questions of priority of delivery as between our Government and its Allies on the one hand, and other customers on the other. It should co-operate with the commission sitting in Paris.

Fourth. Foreign representation: Each of the Allied Governments must, of course, be represented here by competent commissions with full authorities, whose functions should be exercised in co-operation with the purchasing board and would include making contracts, including financial arrangements with our Treasury, paying for goods purchased, inspection before shipment, etc.

Fifth. The Treasury: The function of our Treasury in such a scheme of organization would be the normal one of raising funds, apportioning credits according to the agreed needs, and paying the bills, being governed by representations made by our representatives on the commission sitting in Paris [p.9561]

The organizations subordinate to the purchasing board would have a useful place in such a scheme about would be controlled in their activities, first, by the purchasing board; second, by the board fixing prices; and third, by the priority board, all of which would co-ordinate through the purchasing board as the central organization.

This general plan is based entirely upon the principle that our participation in the war and all activities growing out of it must be governed by military necessity which can only be determined at the seat of war.

Government Loans.-- The experience of the past three months convince me that a much larger credit will be needed than that now provided by Congress. A permanent, Nation-wide organization must be created at once in order to facilitate Government borrowing. Congress should, I believe, authorize a large issue of short-term notes with a greater variety of character so as to meet the needs of different classes of investors and savers and it should confer greater authority upon the Secretary of the Treasury in fixing rates of interest.

A letter from the files of Mr. Benjamin Strong:

C O P Y

[Exhibit 2217]

[August 14, 1915]

MY DEAR COLONEL HOUSE:

Referring to our conversation of a week ago. You have doubtless observed that matters are developing along the lines of our discussion. Sterling exchange sold yesterday below 4.71.

The newspapers are reporting very considerably cancelations of foreign contracts for wheat and other commodities. The cancelation of contracts for grain is reported to be due to military developments at the Dardanelles, which may shortly release large quantities of Russian wheat. This seems hardly probable and, if rumors now appearing in the newspapers are well-grounded (although I suppose they are considerably exaggerated) I am inclined to believe that the cause is inability to arrange credits in this country.

If exchange declines very sharply so that all the profit on a purchase of goods contracted for in this country is gone before the goods are exported, and the purchaser is in a position to cancel the contract, he will, of course, cancel in every instance even though he has to buy again later, possibly after contracting for his exchange in advance.

The situation is undoubtedly growing increasingly difficult with each day's decline in exchange and while I don't see anything yet to be alarmed about, I still believe that at present rates, with the prospect of still lower rates, the influence is gradually growing stronger to curtail our export business.

With kindest regards, I beg to remain,

Very truly yours,

[Benjamin Strong]

U.S. Congress, 74th Cong., 2nd Sess, Special Committee Investigating the Munitions Industry, Hearings pursuant to S. Res. 206 (73d Cong.) Part 26, Jan. 9 and 10, 1936, p. 7861.

C O P Y

[Letter from the personal files of Benjamin Strong, July 7, 1917 to Colonel E. M. House (which has not been located at the Bank or in the papers of Benjamin Strong, Jr., which he acquired after his father's death in 1928).]

July 7, 1917

My Dear Colonel House:

In preparing a memorandum of our conversation of Tuesday, I find we covered so much ground that to do so with necessary brevity may impair its usefulness. The paper enclosed, however, will suggest the detail of our discussion and I hope will be of service.

As to certain difficulties which have developed: What I stated to you was with a desire to be helpful, as every consideration is due to those who are trying to carry too heavy a burden of work to do it justice. The trouble was primarily due to failure to develop and conclude a program in advance of transactions actually taking place: such a program not having been developed, both sides apparently failed to realize that without it misunderstandings were inevitable. Besides that, as I stated to you quite frankly, the Department is under organized and badly needs skilled help with such division of responsibility and authority as will relieve the Secretary from the necessity of too detailed an examination of matters requiring final decision.

On the other hand, some of the representatives of our Allies have failed to consider that they are dealing with subjects with which they have had 'three years', and we only 'three months', experience and they have doubtless expected too much in the way of co-operation in these early stages of our participation in the war.

A misunderstanding of a rather serious character has developed in regard to the method of repayment of loans of the British Government negotiated through Messrs. J. P. Morgan + Company, aggregating \$400,000,000 which is carried by 67 banks and may be called for payment at any time. If it is paid out of advances being made by our Government to the British Government, it would by so much expand the program of advances and shorten the period which can be covered by available credits. I have come to the conclusion, however, that it is absolutely necessary that these loans, or at least the greater part of them, must be paid off in cash and it should be done at exactly the right time. In fact, this payment can be utilized to our advantage in connection with future financing. If it could be arranged to repay these loans in installments of \$100,000,000 each, timed so as to anticipate large further borrowings by our Government, the effect would be to create easy money all over the country as it would at once reduce interest rates in New York both time and demand which would be reflected in every other money market in the United States. The money, at least in part, could be drawn from Government deposits in other Reserve districts.

My recommendation, therefore, would be to have the Treasury face this matter squarely, include the payment of the \$400,000,000 as a part of the program of the next few weeks or months, and let that be the means of preparing the market for future operations.

Admitting that this will necessitate application to Congress for further legislation, might not the President make this the opportunity of bringing the country to realize the gravity of the war situation, the immense demands to be made upon use (sic) if the war is to be won, and frankly ask Congress for the financial support necessary? Hesitation in regard to this course has been expressed for fear of giving comfort to Germany. My own feeling is that whatever comfort they may get out of it is a small price to pay for the many advantages of being able to rush all of our resources to the front at the earliest possible

The enclosed memorandum was dictated immediately on my return but I was obliged to go to Washington and its completion has been delayed until today.

I understand the tentative program suggested on the first page is now being considered by Secretary McAdoo but he is very much hampered by the knowledge that the credits and cash at his disposal are inadequate to meet all demands

My visit with you was a most enjoyable one and I hope you will give me opportunity to repeat it. I am leaving for Denver on Sunday.

With kindest regards, I remain,

Colonel E. M. House.

[signed Benjamin Strong, Jr.]

United States Congress, 74th, 2nd Sess., Senate, Special Committee Investigating the Munitions Industry, Hearings on S.R 206, Part 30, p.9560)

7/7/17

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2 From Billings J. J.

83

FEDERAL RESERVE BANK

AUG 16 1917

Governor Benj. Strong,

Federal Reserve Bank, New York.

Dear Gov. Strong:

I want to thank you for your letter of July 7th with its enclosed memorandum, which will be very helpful.

I am sorry you will be so far away during the next few weeks, and I shall look forward to your return.

Sincerely yours,

M. Stone

Magnolia, Mass.

July 9, 1917.

43

August 13, 1917.

Dear Colonel House;

Nearly every day's mail brings a variety of suggestions, criticisms, etc., that is really beyond belief. Few of these deserve attention. I have, however, received a letter from a very wise and influential man up the state, which is so much in line with what became apparent to me while in the West last month, that I think it is worth while sending it to you. Extract from the letter is enclosed.

The gentleman who writes this letter (a man well along in years), is a very discriminating observer of public opinion. If the right kind of publicity is employed just now, it will popularize the war; if news is stifled the reaction to a state of indifference is bound to come until our armies are actually fighting. England went through this same experience and finally met a demand for publicity which I believe brought good results.

I know nothing of the methods or machinery employed to control this matter but feel quite satisfied that the entire absence of news about our men is having a bad effect on our country.

I send you this with considerable reluctance realizing that it is none of my business whatever.

Faithfully yours,

Colonel E. M. House,
Magnolia, Mass.

BS/VCM
Euc.

[From Bellamy Jr.]
83

August 13, 1917.

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Faithfully yours,

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Magnolia, Mass.

BS/VCM

[with 8/13/12]

"There is very little enthusiasm for the war. I see in some towns in this state every man drawn claims exemption. On the street, in the offices, in the smoking-room of the sleeper, the war is not the prime subject of conversation. There are many thoughtful men who have it constantly in mind and say nothing about it, but even their mental attitude towards it is all expressed by the phrase of Anthony Trollope, - "It's dogged that does it." I attribute this condition very largely, first, - to the childish censorship in Washington and secondly, - to the distrust of Baker and Daniels. The latter evil seems beyond removal, but the other ought to be remedied. It is well enough to say nothing about what troops are embarking on a certain day for France, but when they are once landed no amount of information regarding the number or names of the regiments can by any possibility hurt the cause or help the enemy. All of our papers should be full of things accomplished. The knowledge that we had three hundred thousand men in training over there would wake up our people and discourage Germany. As things are, you will find that you will not get the same effort from the banks that you did before. That effort entailed an immense amount of work which is far from complete. It entailed in the aggregate a large cost which the banks will hesitate to again meet. Instead of being dragged forward by the banks, the ordinary people have got to be brought forward voluntarily and, to do this, they have got to be interested far more deeply than they are to-day in the great effort.

"If Mr. McAdoo would use his influence with the President to dispose of Creel and all the petty nonsense of his department, take the people into his confidence and make them realize that it is their fight, your work would go very differently from the way it seems likely to go to an outsider.

"I take it that the men of great wealth have secured about all the bonds they want, and when you come to distribute such an issue in units of less than ten thousand dollars, you have got to reach a tremendous number of buyers. A victory would do it. A defeat might do it. In the absence of either victory or defeat, the only thing which I can see, which is likely to produce the result is full and free and constant information. When a regiment or division is ordered to go there should be great public demonstrations which need not reveal the day or line of departure, but would wake people up, and so with all the other things. Give us news! Let the newspapers print anything they want and amplify all they will and let Germany make the best of it."

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[From B. Long Jr.]
83

August 13th, 1917.

Dear Colonel House:

My holiday in the West is now over and I am glad to say I was able to stay away long enough to escape the hot weather.

My good friend, Mr. Curtis, has asked me to stand godfather for his boy and as they are to have a christening party on the 25th of this month, I will be in your immediate neighborhood for a day or two and am writing to inquire if it will be entirely convenient for me to call.

Hoping that you keep well and with kindest regards to you and Mrs. House, I am,

Very truly yours,

Colonel E. M. House,
Magnolia, Mass.

BS/VCM

83

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BS/VCM

83

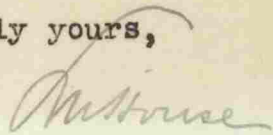
Governor Benj. Strong,
Equitable Building, New York.

Dear Governor Strong:

I shall be delighted to see you when you come to the North Shore.

My telephone number is Manchester 640 and, if you will call me up, we will make an engagement convenient to us both.

Sincerely yours,



Magnolia, Massachusetts.

August 14, 1917.

From B. Strong [initials]
83

August 31st, 1917.

Dear Colonel House:

A matter has come up which may be of interest to the War Department but which I feel unable to deal with without your advice.

A warm personal friend and former business associate, Mr. Ambrose Monell, who is President of the International Nickel Company is very anxious to undertake some work for the government and has made a suggestion to me which impresses me as being well worth Secretary Baker's consideration. Mr. Monell would like to go to France and take entire charge of organizing and constructing a plant and machinery for all types of repair work for our army. In this he would include repairs to artillery, machine guns, rifles, transport equipment, aeroplanes - in fact everything which required the application of mechanical ability. No better man to place in charge of this work could in my opinion be found.

Mr. Monell is a technical engineer, his earlier experience having been with the Carnegie Company where I believe he was classed as metallurgical chemist. He is a university graduate and speaks French. When the Steel Corporation was formed, he became President of the International Nickel Company and developed that organization with the present success. He has been

interested in a very important way in organizing the Eddystone plant which is about to begin the manufacture of rifles for the United States Army and during the period of the war has been engaged in various enterprises, including the manufacture of guns and shells. He has also had advisory direction in one of the largest automobile truck enterprises in the country. I regard him as one of the most skillful and intelligent organizers of manufacturing enterprises in the country. He is a young man - only a little over forty, has magnificent health, independent means and would expect to work for the government for nothing.

For twelve or fifteen years past Mr. Monell has had a good deal of business in France and direct contact with many important French manufacturers. He also knows the country well. It would be difficult to find a man who is better equipped for taking charge and direction of plants and their operation. He tells me that the Nickel Company, the Eddystone plant and the Remington Arms Company, as well as the International Motors Company, in all of which he has been a moving spirit, are now so organized that they can run smoothly and successfully without his giving them any personal attention and he could go to France at once prepared to take up the work. He also informs me that he would have at his command the necessary force of experts, would be able to organize them and undertake the work whenever the government wished him to and that he could also command a nucleus of skilled labor familiar with American machinery so that there would be no delay in starting the work.

(3)

Will you advise me how best this matter could be placed before the proper people in Washington?

With kind regards, I am,
Sincerely yours,

83

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ES/VCM

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If exchange declines very sharply so that all the profit on a purchase of goods contracted for in this country is gone before the goods are exported, and the purchaser is in a position to cancel the contract, he will, of course, cancel in every instance even though he has to buy again later, possibly after dontracting for his exchange in advance.

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With kindest regards, I beg to remain,

Very truly yours,

[Benjamin Strong]

United States Congress, 74th, 2nd Sess., Senate, Special Committee Investigating the Munitions Industry, Hearings on S. R. ²⁰⁶ Part 26, p.7861 (Washington, 1937)

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8/14/15.

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With kindest regards, I beg to remain,

Very truly yours,

Colonel E. M. House,
Manchester, Mass.

BSJr/PE

FEDERAL RESERVE BANK
OF NEW YORK

Sent by

Personal [From B. H. ...]

(SEND TO FILES)

COPY OF TELEGRAM

7/3

August 20, 1937

Edward G. ...

...
T. ...

I am writing to you about eight this evening and will telephone you on arrival
asking for appointment at your convenience on Saturday if possible

...
...

...

813

FILING DEPT.

Governor Benj. Strong,
Federal Reserve Bank, New York.

SEP 4 1917

FEDERAL RESERVE BANK

Dear Governor Strong:

I will see what I can do towards furthering the desires of your friend Mr. Ambrose Monell.. At the moment, I cannot think of more efficient service that the one he proposes.

I take it that the plant which he desires to construct and operate is to be wholly Government owned and controlled.

I know Mr. Monell and share your high opinion of his ability.

Sincerely yours,

Magnolia, Massachusetts.

September 2, 1917.

D.A. Ho

SEP-4 1917

[From B. Strong]
gB

GILBERT W. BROWN
SEP 1 1917
Governor Benj. Strong,
Federal Reserve Bank, New York.

Dear Governor Strong:

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I know Mr. Monell and share your high opinion of his ability.

Sincerely yours,

Magnolia, Massachusetts.

September 2, 1917.

B. G. W.

SEP-4 1917

[From B. Lang Jr.]
f m

September 4, 1917.

Dear Colonel House:

Thank you for your note of September 2nd.

Mr. Monell desires to place his services and his experience at the Government's disposal in any capacity where he might be found of use, and I think his idea was simply to take charge of the construction and operation of such plant or plants as the Government might desire to construct in France.

Very truly yours,

Colonel E. M. House,
Magnolia, Mass.

BS/RAH

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Very truly yours,

Colonel E. M. House,
Magnolia, Mass.

BS/RAH

[From B. H. H. Jr.]
8

September 8, 1917.

Dear Colonel House:

I know you will be interested in reading the enclosed, which will be sent out by the Federal Reserve Bank when approved by the Liberty Loan Committee.

The 1st, 2nd and 3rd will disclose what our dangerous liabilities are. The 4th and 5th will disclose what available resources we have to meet them. Our undertaking must be to convert these resources so that they can be made available to meet the liabilities. I am confident that it can be done.

May I ask you to return the enclosed after reading?

Very truly yours,

Col. E. M. House^{ee},
Magnolia, Mass.

BS/RAH
Encs.

43

September 8, 1917.

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October 18th, 1917.

Dear Colonel House:

With further reference to the printed plan regarding control of security issues, this is to advise that the copy which I sent you was only a draft of the report and that the committee is still working on it. No doubt a number of changes will be made and when it is finally completed I will have a copy forwarded to you.

This matter seemed of sufficient importance to send you this note of explanation.

Very truly yours,

Colonel E. M. House,
115 East 53rd Street,
New York City.

VCM

DRAFT OF PROPOSED LETTER

Dear Sir:

In order to complete arrangements for handling the large transfers of cash and credit which will be necessary at the time of payment for the next issue of Liberty Loan bonds, this bank desires to obtain certain information daily from the banks and trust companies of New York City to enable it to deal with the matter intelligently. The information desired is as follows:

- FIRST Total amount of balances carried with the reporting institution by banks, trust companies and savings banks located outside of the City of New York.
- SECOND Total amount of strict call loans carried by the reporting institution for the account of out-of-town banks, bankers, firms and corporations.
- THIRD Total amount of strict call loans carried by each reporting bank for its own account. (Call loans specified in 2 and 3 to be classified as strict call loans should generally be those made to brokers and security dealers, payment of which may be required on the day called, in accordance with stock exchange practice, or on at least not more than three days' notice.)
- FOURTH The amount of (a) unpledged obligations of the United States Government, (b) municipal warrants, (c) commercial paper and (d) acceptances owned by the reporting bank, which are eligible either for discount or as collateral for loans at the Federal reserve bank. (Definitions of eligibility of these classes of securities as specified by the Federal Reserve Act or by the regulations of the Federal Reserve Board are attached.)
- FIFTH Securities owned by the reporting bank in addition to and not included in those reported under No. 4, and which may be accepted by the Federal reserve bank as collateral to secure Government deposits as prescribed by Treasury Department circular No. 81 and by subsequent rulings of the Department modifying the same. (A statement of the securities defined by the circular and rulings referred to is attached. This is subject to changes as and when made by the Treasury Department, of which you will be kept advised.)

It is requested that reports be mailed to the Federal reserve bank at the close of business each business day, the figures to include the

Commencing - - - - - 2011 - - - - -
^

transactions of the day on which the report is made, and to be furnished upon forms which will be provided by this bank.

If doubt exists as to the eligibility of any securities of the classes referred to, the officers of this bank will be glad to furnish any information required.

This request is made pursuant to plans which are being developed by this bank in cooperation with the Liberty Loan General Committee of this district, with the object of facilitating the financing of the next Government Loan so as to avoid unnecessary disturbance to the money market. A special committee consisting of Messrs. George F. Baker, Walter E. Frew, Gates W. McGarrah, Charles H. Sabin, Frank A. Vanderlip, James N. Wallace, and Benjamin Strong, Chairman, has been appointed for the purpose of dealing with this matter.

It is the belief of the committee that a prompt response to this request and the cooperation of the banks to whom it is addressed will be in the national interest.

The committee will appreciate a response to this letter.

(Copy)

Dear Sir:

In order to complete arrangements for handling the large transfers of cash and credit which will be necessary at the time of payment for the next issue of Liberty Loan bonds, this bank desires to obtain certain information daily from the banks and trust companies of New York City to enable it to deal with the matter intelligently. The information desired is as follows:

FIRST Total amount of balances carried with the reporting institutions by banks, trust companies and savings banks located outside of the City of New York.

SECOND Total amount of strict call loans carried by the reporting institution for the account of the out-of town banks, bankers, firms and corporations.

THIRD Total amount of strict call loans carried by each reporting bank for its own account. (Call loans specified in 2 and 3 to be classified as strict call loans should generally be those made to brokers and security dealers, payment of which may be required on the day called, in accordance with stock exchange practice, or on at least not more than three days' notice.)

FOURTH The amount of (a) unpledged obligations of the United States Government, (b) municipal warrants, (c) commercial paper and (d) acceptances owned by the reporting bank, which are eligible either for discount or as collateral for loans at the Federal reserve bank, (Definitions of eligibility of these classes of securities as specified by the Federal Reserve Act or by the regulations of the Federal Reserve Board are attached.)

FIFTH Securities owned by the reporting bank in addition to and not included in those reported under No.4, and which may be accepted by the Federal reserve bank as collateral to secure Government deposits as prescribed by Treasury Department circular No.61 and by subsequent rulings of the Department modifying the same. (A statement of the securities defined by the circular and rulings referred to is attached. This is subject to changes as and when made by the Treasury Department of which you will be kept advised.)

It is requested that reports be mailed to the Federal reserve bank close
commencing.... Sept.
of business day each business day, / the figures to include the

DESCRIPTION OF SECURITIES, ETC., ELIGIBLE FOR DISCOUNT OR
AS COLLATERAL AT FEDERAL RESERVE BANK, MENTIONED IN
PARAGRAPH FOURTH.

(A) UNITED STATES GOVERNMENT BONDS AND NOTES.

These may include any bonds, notes or certificates of indebtedness issued by the Government of the United States.

(B) MUNICIPAL WARRANTS.

Municipal warrants must consist of bills, notes, revenue bonds and warrants with a maturity from date of purchase by the Federal reserve bank of not exceeding six months, issued in anticipation of the collection of taxes or of the receipt of assured revenues by any State, County, district, political subdivision or municipality in the continental United States, including irrigation, drainage and reclamation districts.

For further details as to eligibility of municipal warrants, see Regulation "E", Series of 1917, of the Federal Reserve Board.

(C) COMMERCIAL PAPER.

Eligible commercial paper must consist of a note, draft or bill of exchange having a maturity of not more than ninety days, exclusive of days of grace, except paper drawn or issued for agricultural purposes or based on live stock, which may have a maturity of not more than six months, exclusive of days of grace.

The paper must be a note, draft or bill of exchange, the proceeds of which have been used or are to be used in an actual commercial transaction,— that is, in purchasing, carrying or marketing goods, in one or more of the steps of the process of production, manufacture, or distribution; and must not be used for permanent or fixed investments of any kind, such as land, buildings or machinery, nor for investments of a purely speculative character.

The eligibility of the paper is not affected by its being secured by the pledge of goods or other collateral. The aggregate of notes, drafts and bills bearing the signature or indorsement of any one borrower rediscounted for any one member banks shall be no time exceed 10% of the unimpaired capital and surplus of such bank; but this restriction does not apply to the rediscount of bills of exchange drawn in good faith against actually existing values.

For a further detailed description of eligible commercial paper, see Regulation "A", Series of 1917, of the Federal Reserve Board, Sections 1 and 2 for notes, drafts and bills of exchange; Section 5 for trade acceptances; and Section 6 for agricultural paper.

(D) ACCEPTANCES.

An acceptance (other than a trade acceptance) must be a draft or bill of exchange of which the acceptor is a bank or trust company, or a firm, person, company or corporation engaged in the business of granting bankers acceptance credits. The bill must have a maturity at time of purchase or rediscount by the Federal reserve bank of not more than three months, exclusive of days of grace, and must have been drawn under a credit opened for the purpose of conducting or settling accounts resulting from a transaction or transactions involving -

- (1) The shipment of goods between the United States and any foreign country, or between the United States and any of its dependencies or insular possessions, or between foreign countries, or
- (2) The shipment of goods within the United States, provided the bill at the time of its acceptance is accompanied by shipping documents, or
- (3) The storage within the United States of readily marketable goods, provided the acceptor of the bill is secured by warehouse, terminal or other similar receipt, or
- (4) The storage within the United States of goods which have been actually sold, provided the acceptor of the bill is secured by the pledge of such goods;

or it must be a bill drawn by a bank or banker in a foreign country or

-3-

dependency or insular possession of the United States for the purpose of furnishing dollar exchange. In this latter case the bank or banker drawing the bill must be in a country, dependency, or possession whose usages of trade have been determined by the Federal Reserve Board to require the drawing of bills of this character.

For further detailed description of eligible acceptances, see Regulation "E", Series of 1917, of the Federal Reserve Board, Section 4.

DESCRIPTION OF SECURITIES ACCEPTABLE AS COLLATERAL
FOR GOVERNMENT DEPOSITS MENTIONED IN PARAGRAPH FIFTH

- (A) Bonds and Certificates of Indebtedness of the United States Government of any issue, including bonds of the Liberty Loan and interim certificates for payments therefor: all at par.
- (B) Bonds issued under the United States Farm Loan Act and bonds of the Philippine Islands, Porto Rico and the District of Columbia: all at par.
- (C) Bonds of any State of the United States: at market value not exceeding par.
- (D) Territory of Hawaii, 3 1/2% bonds at 90% of par. Other bonds of said territory at market value not exceeding par.
Bonds of the Manila Railroad Company: at 90% of market value not exceeding 90% of par.
- (E) Dollar bonds and obligations of foreign Governments (and of the dependencies thereof) engaged in war against Germany and issued since July 30, 1914: at 90% of the market value thereof not exceeding 90% of par.
- (F) County or City bonds of any County or City in the United States which are direct obligations of the County or City as a whole: at 75% of the market value thereof not exceeding 75% of par.
- (G) Railroad mortgage bonds secured by direct mortgage upon lines of railroad within the United States, but not including any such bonds which on May 29, 1917, were at a market price to yield more than 5 1/2% if held to maturity according to standard tables of bond values: at 75% of the market value thereof, not exceeding par.
- (H) Commercial paper which is eligible for rediscount or purchase by Federal Reserve Banks, and which has been approved by the Federal Reserve Bank of the district in which the depository bank is located. All such paper must bear the indorsement of the depository bank.
- (I) Notes, certificates of indebtedness and warrants issued by any State of the United States at 90% of their market value, not exceeding par.
- (J) Railroad equipment and trust obligations at 75% of their market value, not exceeding par, but not including any such obligations which on May 29, 1917, were at a market price to yield more than 5 1/2% per annum if held to maturity according to standard tables of bond values.
- (K) Bonds of electric railroad and traction companies, telephone and telegraph companies and electric light, power and gas companies, secured by direct mortgages upon their physical properties in the United States and listed on some recognized stock exchange, taken at 75% of the market value thereof, not exceeding par, but not including any such bonds which on May 29, 1917, were at a market price to yield more than 5 1/2% per annum if held to maturity according to standard tables of bond values.

(NAME OF BANK)

Close of business

on (date)

- FIRST Balances of out-of-town correspondents \$ - - - - -
- SECOND Call loans for out-of-town correspondents \$ - - - - -
- THIRD Call loans of this bank \$ - - - - -
- FOURTH Eligible at Federal Reserve Bank \$ - - - - -
- FIFTH Eligible (excluding Fourth) for Government Deposits \$ - - - - -

Cashier.

To the
Federal Reserve Bank
of New York.

[From B. Sterling Jr.]

October 18th, 1917.

Dear Colonel House:

With further reference to the printed plan regarding control of security issues, this is to advise that the copy which I sent you was only a draft of the report and that the committee is still working on it. No doubt a number of changes will be made and when it is finally completed I will have a copy forwarded to you.

This matter seemed of sufficient importance to send you this note of explanation.

Very truly yours,

Colonel E. M. House,
115 East 53rd Street,
New York City.

VCM

MEMORANDUM.

ADVANCES TO ALLIES: A constructive program reaching certainly six months

into the future or, still better, a year, should be developed as soon as possible.

As that will take time, our Treasury might well determine what advances could be made for, say, the next two months and within that limit credits could then be apportioned among our Allies according to a tentative program laid out in conference with the staff of war. The general policy might, therefore, be worked out by an international commission on which all of the Allies would be represented, (United States, France, Great Britain, Russia, Italy), from \$180,000,000 to \$200,000,000 a month for Great Britain and about \$100,000,000 for France would cover their needs for the next two months. As to Russia and Italy, the need is not so pressing nor for so large amounts at present.

ANNOUNCEMENTS: The policy of announcing each advance as made strikes me as liable to cause embarrassment to us and to our Allies. If the Secretary would announce total advances to the Allies, say once a week, it would overcome this difficulty.

FINANCIAL LEGISLATION: I am convinced that the amount provided by Congress for advances to our Allies will be inadequate for even a six months' program, that generous financial support promptly accorded at this time will be of greater value than later and I hope that our government will find it possible to secure all necessary legislation

at this session of Congress to enable our Treasury to give our Allies the fullest possible support.

GENERAL ORGANIZATION: The development of a program (financial, food, munitions, shipping, etc.), based upon existing legislation cannot be

First. A Purchasing Board: This Board would distribute and execute orders and its technical staff would see that quantity, quality and deliveries were as required.

concluded satisfactorily without a better understanding of the requirements. To accomplish this, possibly the following principles might be helpful:

The whole subject of furnishing food, military supplies, transportation and credit should be governed by considerations of military necessity. These considerations can only be weighed at the seat of war. The general policy might, therefore, be worked out by an international commission on which all of the Allies would be represented, (United States, France, Great Britain, Russia, Italy), which would sit permanently in Paris, the membership of which should be composed of the ablest men available to deal with commercial, industrial and transportation questions, as well as finance. The members of such a commission should be supported by an adequate staff of experts. It would determine priorities between the Allies, each nation retaining priority for its own needs, out of its own resources.

If such a commission were created, this country would shortly occupy its natural position toward the war. We must organize as an immense farm to produce food, an immense factory to produce military and other supplies, an immense transportation system to furnish rail and water transportation and an immense bank to finance the purchase and transportation of material.

The organization in this country would properly direct its efforts to furnishing those things and in such quantities to the respective allied powers as recommended by the commission sitting in Paris. ORGANIZATION: The development of a program (financial, food, mu-

The local organization in this country might consist of:

First. A Purchasing Board: This Board would distribute and execute orders and its technical staff would see that quantity, quality and deliveries were as required.

should, I believe, authorize a large issue of short term notes
Second. A Price Fixing Body or Board: Such an organization would stand between the country's regular commerce and industries and our government in its war requirements and settle questions of prices.

Third. A Priority Board: This organization would settle all questions of priority of delivery as between our government and its Allies on the one hand, and other customers on the other. It should co-operate with the Commission sitting in Paris.

Fourth. Foreign Representation: Each of the Allied governments must, of course, be represented here by competent commissions with full authorities, whose functions should be exercised in co-operation with the Purchasing Board and would include making contracts, concluding financial arrangements with our Treasury, paying for goods purchased, inspection before shipment, etc.

Fifth. The Treasury: The function of our Treasury in such a scheme of organization would be the normal one of raising funds, apportioning credits according to the agreed needs and paying the bills, being governed by representations made by our representatives on the commission sitting in Paris.

The organizations subordinate to the Purchasing Board would have a useful place in such a scheme but would be controlled in their activities, first, by the Purchasing Board; second, by the Board fixing prices and, third, by the Priority Board, all of which would coordinate through the Purchasing Board as the central organization.

This general plan is based entirely upon the principle that our participation in the war and all activities growing out of it must be governed by military necessity which can only be determined at the seat of war.

GOVERNMENT LOANS: The experiences of the past three months convince me that a much larger credit will be needed than that now provided by Congress. A permanent, nation-wide organization must be created at once in order to facilitate government borrowing. Congress

should, I believe, authorize a large issue of short term notes with a greater variety of character so as to meet the needs of different classes of investors and savers and it should confer greater authority upon the Secretary of the Treasury in fixing rates of interest.

A permanent paid organization should be promptly developed by the twelve reserve banks which could be expanded and contracted as new loans were placed. At the same time, a separate organization should be provided at once to develop saving in detail among all classes of people. These savings should be segregated, temporarily invested in the government's short obligations and then converted into permanent loans when issues are made. Only such a plan, which anticipates and earmarks in advance, will avoid increasing pressure upon our banking system and possibly its dislocation.

CURRENCY: Our participation in the war makes a certain expansion of bank credit necessary and inevitable. This can be sound or unsound according to the skill with which it is managed. All necessary legislation has now been enacted with the passage of the amendments to the Reserve Act and a perfectly sound expansion of vast proportions is possible, provided the reserve banks are able to assemble a much greater proportion of the country's gold supply even than the amount already held - about \$1,300,000,000. This requires large issues of Federal reserve notes, to take the place, dollar for dollar, of small denomination gold certificates, but if successfully conducted will place an immense burden of expense

upon the reserve banks. I would strongly urge that the Secretary of the Treasury immediately discontinue issues of gold certificates in denominations of ten and twenty dollars and that the Federal Reserve Board instruct Federal reserve banks to furnish all requirements for currency in their respective districts by issues of Federal reserve notes on which they should pay the shipping charges. Congress could then be asked to make an appropriation to enable the Bureau of Engraving and Printing to defray the cost of preparing Federal reserve notes. The saving to the government on other currency, the cost of which it now bears, will largely offset this added expense.

We are facing the possibility of a great shortage of bills of one and two dollar denomination. This can be met in advance of the Fall demands, which will be heavy, by reissuing large denomination silver certificates and United States notes in one and two dollar denominations. Each reserve bank should be instructed now to accumulate these bills against the Fall demand. This will increase the vacuum to be filled by further issues of Federal reserve notes and the simultaneous withdrawal of gold certificates above suggested would automatically draw gold into the reserve banks without causing comment or possible alarm.

This accumulation of gold will offer a basis for credit expansion which can be controlled within safe limits by the discount rates of the reserve banks.

TRADE WITH THE ENEMY: House Resolution No. 4960, introduced by Mr. Adamson, covers transactions in goods, but fails adequately to impose restraint upon foreign exchange transactions and shipments of gold and provides no organization for supervising such transactions. A body should be created for the purpose of supervising all possible

enemy exchange operations and gold shipments, and this body should have power to require reports and production of papers and records. A letter covering this matter has been sent to Mr. Frank L. Polk of the State Department.

GOLD: At the present time we are importing gold from England which is being re-exported to Spain, Cuba, Japan, Canada and South American countries. The unwisdom of this development is apparent. The demand upon our credit system will shortly be so great that we must not only preserve but augment our gold base, even if it involves curtailing trade and credit transactions with neutral countries. Whatever organization is developed to deal with foreign exchange should have authority to deal with this matter.

b) Judson Welliver

WELLIVER, Judson Churchill (wĕl't-ĕr), corp. exec.; b. Aledo, Ill., Aug. 13, 1870; s. Morrison and Alpha (Harroun) W.; ed. pub. schs., Fort Dodge, Ia., Cornell Coll., Ia.; m. Jane Douglas Hutchins, July 3, 1899; children—Edward M., Allan J., Sarah H., Jane Douglas. Newspaper work, Sioux City Journal, Sioux City Tribune, Des Moines Leader; later polit. editor and editorial writer Washington Times, and Frank A. Munsey newspapers; sent to Europe by President Roosevelt, 1907, to report upon waterway systems of Europe and Great Britain, the companies' laws of Great Britain, and railroad situation in Europe, report pub. in Report Inland Waterways Commn., 1908; London corr. and European mgr. N.Y. Sun, 1917-18; in charge publicity at Harding hdqrs., Marion, O., during 1920 campaign, and attached to the White House organization after Mar. 4, 1921, occupying a confidential relation to Presidents Harding and Coolidge until Nov. 1, 1925, resigned; dir. public relations with Am. Petroleum Inst., 1925-27; editor The Herald, Washington, D.C., 1928; asst. to pres. of Pullman Co., 1928-31; dir. public relations Sun Oil Co., Phila. Clubs: Players (New York); Nat. Press (Washington); Pen and Pencil, Penn Athletic (Phila.). Contribr. to mags. Address: 1608 Walnut St., Philadelphia, Pa. Died Apr. 14, 1943.

January 17, 1923

Dear Jud:

I guess I'll have to hand it to you as the boy what knew wot's wot and why. But if he can understand the wave of banking expansion now under way, and do what he may to keep it within bounds, he will surely deserve well of his country.

With warmest regards,

Always yours,

Judson C. Welliver, Esq.,
Executive Mansion,
Washington, D. C.

Subjects

THE WHITE HOUSE
WASHINGTON

January 22, 1923.

Dear Carl:

I do not know whether anybody in authority will agree with my views, but personally I think you are painfully correct in your information that another inflation is under way and that there is danger that it might have disastrous consequence. If you are in this town any time soon I would like a chance to talk with you about it. I think the administrative authorities have need to exercise a good deal of wisdom at a time when whatever they may be is certain to be a question of violet criticism. It was my personal information that the big inflation of 1919 might have been discouraged by timely effort to enforce moderation; but instead the screws were applied after it was too late. We all know the serious results. I am certainly hoping that a repetition of that experience can be avoided and would be mighty glad to have your information about what ought to be done about it.

*sic
impression*

me

Sincerely yours,

J. C. Willener

Mr. Carl Snyder,
15 Nassau Street,
New York City.

J. C. Willener

Subject

THE WHITE HOUSE
WASHINGTON

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Mr. Carl Snyder,
15 Nassau Street,
New York City.

[J. C. Willener]

No. 010.0

Federal Reserve Bank
District No. 2
Correspondence Files Division

STRONG PAPERS

SUBJECT

U.S. PRESIDENTS

- 1.) a. W. Wilson, 1916 - 1918
- b. W. Harding, 1921 - 1923
- c. C. Coolidge, 1923

a President W. Wilson
J P Tumulty, Secy
1916

CLASS OF SERVICE	SYMBOL
Day Message	
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 day message. Otherwise its character is indicated by the symbol appearing after the check.

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, VICE-PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

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Day Message	
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 day message. Otherwise its character is indicated by the symbol appearing after the check.

RECEIVED AT

Denver, Colorado,
December 21, 1916.

Honorable Joseph P. Tumulty,
The White House,
Washington, D. C.

Will you kindly convey to the President my conviction that his efforts to restore peace in Europe will be rewarded with success and with the enduring gratitude of the world. His determination that our own country shall share in the obligations and benefits of some arrangement between the nations to prevent future warfare cannot fail to remove the chief obstacles to success and I believe will receive the support of public opinion here and abroad.

Benjamin Strong.

Chg. - Benjamin Strong,
4100 Montview Blvd.,
Denver, Colo.

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Benjamin Strong.

Chg. - Benjamin Strong,
4100 Montview Blvd.,
Denver, Colo.

57
THE WHITE HOUSE
WASHINGTON

January 22, 1916.

B.A.H.
JAN 24 1916

Dear Mr. Strong:

I am sending you herewith a letter
of introduction to our Ambassador at Paris,
which I hope will be of service to you.

With best wishes for an enjoyable and
safe trip,

Cordially yours,

J.P. Murray
Secretary to the President.

Hon. Benjamin Strong, Jr.,
62 Cedar Street,
New York City.

enclosure.

57

January 24th, 1916.

My dear Mr. Tumulty:

Your favor of the 22nd, enclosing a letter of introduction to our Ambassador at Paris is just received and greatly appreciated.

Please accept my thanks and believe me,

Cordially yours,

J. P. Tumulty, Esq.,
The White House,
Washington, D. C.

VCM

Denver, Colorado,
March 30, 1917.

conviction that he will be doing a large share of the service which

should be done by men who stay at home, who are glad to stay at home, who
Dear Mr. President:

are glad to assume risk and hardship for their country. I have just received the following telegram from my son; ^{patriotism,}
and all know our Government does not get any credit for their and

"Regiment mobilized. May leave today. Destination ^{and}
equal distribute ^{uncertain."} ^{of this kind among its citizens.}

He is twenty years old and a Sophomore at Princeton University.

He joined the National Guard about a year ago of his own volition, and

solely from a sense of duty. He is one of many thousands of boys who

are doing the same thing, from the same motives. Having cheerfully al-

lowed him to volunteer for the country's service, I feel justified in

expressing my protest against the undemocratic, unwise and dangerous

system of volunteer military service, upon which our country must now

depend unless our laws are changed.

Any system, or I should say lack of system, which encourages

boys of his age to decide what kind of duty they shall perform in time

of National peril is wrong. Consideration cannot be given under this

system to special qualifications of the individual. Those whose training

might make them of greater value elsewhere than in the army or the navy,

are afforded no opportunity or encouragement to give their best service.

The great mass of those who voluntarily enlist, possibly to go to the

front and lose their lives in the ranks, are those who can least be spared

and, generally speaking, I believe they are the ones whose enthusiasm for

public service would enable them to qualify most promptly as efficient

officers.

I am letting this boy leave college for military duty in the firm

conviction that he will be doing a large share of the service which should be done by men who stay at home, who are glad to stay at home, who are glad to escape risk and hardship by taking advantage of his patriotism, and all because our Government does not see fit to require a fair and equal distribution of service of this kind among its citizens.

Should our country depend for its protection in time of war upon the gift of the lives of the best youth of the country any more than it should depend for its revenues in time of peace upon donations of money by those who are patriotic enough to give it?

Most respectfully I am writing to urge that it is time that Congress and the responsible officers of our Government undertook to remedy this matter. There are many fathers of boys who, like the writer, believe that their sons are likely to become the victims of a perilous weakness in our Country's affairs, and who are looking to you, as I am, to urge Congress to exact a compulsory military service law.

Respectfully yours,

Hon. Woodrow Wilson,
President of the United States,
Washington, D. C.

BS/CC.

THE WHITE HOUSE
WASHINGTON

April 3, 1917.

My dear Mr. Strong:

For the President I beg to acknowledge the receipt of your letter of the 30th of March. I shall be glad to call it to his attention at the earliest possible moment.

Sincerely yours,



Secretary to the President.

Wilson, Rec

Mr. Benjamin Strong,
4100 Montview Boulevard,
Denver, Colorado.

FEDERAL RESERVE BANK
OF NEW YORK

Sent by

BS:VCM
FAST DAY MESSAGE
12:30 P. M.

(SEND TO FILES)

COPY OF TELEGRAM

FILING DEPT.

JUN -1 1917

176

FEDERAL RESERVE BANK


May 31, 1917.

Joseph P. ~~Tumulty,~~
White House,
Washington, D. C.

Would it be possible for me to have an appointment to see the
President for a few minutes at any time to meet his convenience?
Stop. Can go to Washington any time. Stop. Would appreciate re-
ply by telegram.

Benj. Strong.

Charge ~~Liberty Loan,~~ Treasury Dept.
~~120 Broadway~~ Official Business.
Government Rate.

CLASS OF SERVICE	SYMBOL
Day Message	
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 day message. Otherwise its character is indicated by the symbol appearing after the check.

WESTERN UNION TELEGRAM

CLASS OF SERVICE	SYMBOL
Day Message	
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 day message. Otherwise its character is indicated by the symbol appearing after the check.

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

RECEIVED AT

JUN - 5 1917

FEDERAL RESERVE BANK

June 5
PINE ST.
1917

1917 JUN

PM 1 02

B147W 20 GOVT AN ANS

THE WHITE HOUSE WASHINGTON DC 1246P 1

BENJAMIN STRONG

NEWYORK

TELEGRAM RECEIVED THE PRESIDENT REGRETS HE CANNOT SEE YOU
NOW WOULD APPRECIATE A LETTER

J P TUMULTY.

2197

JUN 1 1916
PM 1 16

FILING DEPT.

JUN -4 1917

FEDERAL RESERVE BANK

June 2, 1917.

Dear Mr. Tumulty:

I have received your telegram with regard to an appointment with the President and, of course, realize the extent of demands of this character upon his time.

A statement outlining the matter with regard to which I wish to see him will be prepared and sent to him as soon as possible, and if arrangements can later be made for me to have the interview I will greatly appreciate it.

Very truly yours,

Governor.

Honorable Joseph P. Tumulty,
Secretary of the President,
Washington, D. C.

BS/RAH

FEDERAL RESERVE BANK
OF NEW YORK

Sent by **BB:VCM**
FAST DAY MESSAGE
WESTERN UNION TELEGRAPH
COPY OF TELEGRAM

(FOR BINDER)

176

October 8, 1917.

Jos. P. Tumulty.
~~The White House,~~
Washington, D. C.

Tried to reach you on Saturday and Sunday in endeavor to find if you could hold out any encouragement regarding subject of our conversation in connection with meeting at Carnegie Hall on eighteenth. Stop. Have discussed matter with associates here and they think it exceedingly important that this plan be carried out if possible along lines of what is at stake in the war. Stop. We all feel this would stimulate the whole country as well as Liberty Loan Organizations to greater effort, which is much needed, as returns are somewhat discouraging. Stop. Have arranged to have Committee go over to Washington if you can offer any encouragement but pressure of work on Liberty Loan is so great they await word from you before doing so. Stop. Will be glad to go over again myself if necessary and you think it advisable. Stop. Am anxiously awaiting answer.

Strong, Governor.

9 October 1917.

Confidential, strictly

Dear Governor Strong:

Your telegram of the ninth of October is before me, and I have taken its contents up with the President. He does not feel that the time is opportune for him to speak in behalf of the Liberty Loan; but as there are several more campaigns of this sort to come, he thinks he ought to reserve himself for a later effort in case the subsequent loans should prove more sluggish than this one. I am sure you will appreciate the situation.

Sincerely yours,

W. P. Tanner

Secretary to the President.

Hon. Benjamin Strong,
U. S. Federal Reserve Bank,
New York City.

176

Personal

J.P.

October 10, 1917.

Dear Mr. Tumulty:

Your note of yesterday has just reached me and naturally is disappointing.

It seems to be necessary that I should explain the exact situation in regard to the Liberty Loan, as it will make clear why I have felt so urgently the need for assistance from the President at this time.

The people of this country do not yet realize the issues of the war. The object of the meeting in Carnegie Hall, when Lord Reading is to make an address, is to submit to the people of the country the fact that the issue in this war is constitutional government. The president alone can give the meeting exactly the character and influence desired.

But there are other considerations bearing on the success of the loan which are causing us much anxiety. The burden of taxation to be imposed by the new revenue bill will necessarily be very heavy. It particularly applies to corporations which, while they have made large profits, have at the same time so increased investments in plant and inventory that they must borrow heavily in order to pay their taxes. And to add to the difficulties of a very complicated situation, many of the large railroad systems of the country and the holders of their securities are also beginning to have grave anxiety as to their ability to raise money for absolutely necessary purposes, including refunding, and to make heavy tax payments, during the period that such enormous demands are being made by the Government upon the money markets.

It is no exaggeration to say that the country's money center has

developed a desperately gloomy view of the outlook, which is seriously affecting the results of our labor of placing the Government's bonds. I believe this can all be swept away and the last week of our campaign be made a stampede if the President could arrange to make an address in New York and make it one of confidence and reassurance.

It is probably unnecessary for me to state in detail what is being done here to insure stable monetary conditions in the Government's interest. This bank is lending its resources just as freely as may be demanded of it. The banks of the city are taking hundreds of millions of the Government's obligations every week or two in order that temporary financing may be successful pending the bond issue. Sixty seven of the largest New York City banks and trust companies have undertaken to lend generally in the money markets a total of \$231,000,000., which amount they will increase if necessary. The firms and institutions represented on the Liberty Loan Committee, of which I am chairman, have just entered into an obligation to purchase up to \$100,000,000 of the outstanding 3 1/2% bonds and the new 4% bonds in order that they may not sell below par while the new issue is being placed. Trust companies with total resources of \$1,600,000,000. have been brought into the Federal Reserve System. Other things of less importance are being done as needed, but it is nevertheless a fact that a great deal of concern exists in financial circles as to the outlook for the railroads and corporations that must soon be heavy borrowers, and nothing will change this situation so positively as an address by the President.

I also want to point out one important feature of this loan. The minimum of \$3,000,000,000. must be greatly exceeded. If this loan is very heavily over-subscribed, succeeding loans will be undertaken with a degree of confidence that will not exist if this one is barely sold and no more.

In other words, I believe, to make this loan a success will have a greater effect upon subsequent loans than anything else that can be done, and it is most important that we should not approach the spring, when even larger borrowings must be effected, with a feeling that the financial situation must be rescued, but rather that it does not need rescue.

You will be interested to know that we have now, according to the best estimate, about one hundred thousand people in this district working on the loan. They themselves today need encouragement.

I regret very much feeling the necessity for writing so urgently on this matter, but feel sure that the President realizes that the men who are associated with me in this work are devoting every energy and resource at their command to make the loan a success, and I am convinced that nothing will be so encouraging and contribute so greatly to making their labor a success as the support of the President's well known courage, publicly stated at this time.

Very truly yours,

Governor.

Joseph P. Tumulty, Esq.,
Secretary to the President,
Washington, D. C.

BS/RAH

September 21, 1918.

My dear Mr. President:

Your kind letter of September 19th is received this morning, and makes me feel rather guilty in possibly having appeared a little insistent about our invitation. You must, I am sure, understand the earnestness with which this great enterprise is undertaken by our entire organization, and it may be on that account that we do not always consult the convenience of others as fully as we should. I really hesitated to send you an invitation at all. It was particularly inspired by the fact that after a year and a half, during which the people of this city, and particularly the bankers, have submitted themselves in wonderful fashion to the views and wishes of the Government in all matters pertaining to the war, any recognition which could be made at this time would be the greatest possible assistance in connection with the loan, and, if I may say it, to me, personally, in a very arduous task.

We all wish for you the greatest possible freedom from anxieties, in these days when it seems as though new anxieties developed every day, and, particularly, health and strength to complete your great work.

Cordially,

To the President,
The White House,
Washington, D. C.

Governor.

BS/MSB

Personal

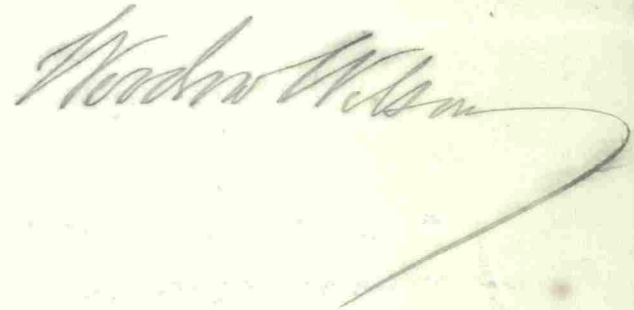
THE WHITE HOUSE
WASHINGTON

2 October, 1918.

My dear Governor Strong:

That was certainly a most generous letter you wrote me on Monday, and I thank you for it very warmly. You may be sure I rendered such service as I did render with the best will in the world and most gladly.

Cordially and sincerely yours,



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

THE WHITE HOUSE,
WASHINGTON.

To the President:

Cables from France today indicate a continuous advance of the American forces over a front of twenty (20) miles from the Argonne Forest to the Valley of the Meuse, North of Verdun, passing beyond the Hindenburg line on the entire front and gaining back one hundred square miles of French territory. The movement was sharp and rapid. Our casualties were light.

MARCH

November 26, 1918.

Dear Mr. Tumulty:

I am to-day addressing a letter to the President, of which a copy is enclosed, and am anxious that it should reach him at the earliest possible moment.

If you find opportunity to also convey a message to the President from me, I would greatly appreciate your saying to him that if there is anything bearing upon this important matter concerning which I am writing him, which could be in any way elucidated by my going to Washington to see him, I will go instantly that I get word, which could be conveyed to me over the Treasury Department private telephone line.

With kindest regards, I am,

Sincerely yours,

Honorable J. P. Tumulty,
Secretary to the President,
The White House,
Washington, D. C.,

BS/MSB
Enc.

November 26, 1918.

Dear Mr. President:

My only justification for writing you this personal letter is the concern which I can not help feeling as to the Government's financial program following Secretary McAdoo's resignation, and I venture to write you this frank letter containing an expression of my own views with the hope that you will realize that it is dictated solely by a desire to be of some slight service in this matter.

Secretary McAdoo has accomplished, in his administration of the Treasury, a most wonderful achievement, largely because of his courage and his full appreciation of the sound monetary and financial principles which must govern the financing of the war if our country is to escape such disastrous consequences as arose through the mis-handling of our finances during the Civil War, and such as I fear will be encountered by some of the belligerent nations of Europe in future years. He is leaving his office I am sure from necessity which is controlling, at a time when our problems are increasing in difficulty, rather than the reverse, and when it will require a strong hand and sound judgment to save us from the undoing of much of his good work of the past. The importance of the program of tax legislation he has fully realized. I am not so sure that his successor will. The future borrowings of the Government for at least six months, and possibly longer, will probably be of larger amount than at any period, and the difficulty of placing these loans will now be vastly greater than the difficulties encountered during the period of active hostilities. There is owing to us eight billion dollars by foreign governments, the terms for the adjustment of which indebtedness have not yet been settled, and, upon the settlement of these terms very much of our future prosperity will depend. Problems will shortly arise in the international exchanges growing out of the tremendous change in our international trade, which can only be dealt with by one fully familiar with the development and history of the affairs of the Treasury Department up to the present time. As a result of the elections, we are, unfortunately, confronted with the deplorable situation where an adverse, and possibly hostile political party will be in control of Congress and will not continue a sympathetic support of the policies of the administration. We may be threatened by a revival of demands for a protective tariff, which would menace our future prosperity and financial security. It is not impossible that, strive as you may to avoid such a development, the results of the peace conference will not protect the world against a reversion to a species of commercial barbarism in the strife which may be expected to arise in the effort of the crippled nations of Europe to re-establish and rehabilitate their foreign business.

All of these various difficulties reach into and effect our domestic financial position, and in an important way our international financial relations. Probably you understand quite fully that my own relations with Secretary McAdoo and his associates and, generally, with the Treasury Department, have afforded me a knowledge of the workings of the department, of the men in the organization, and of the problems with which it has dealt, of more intimate a nature than almost anyone outside of the department itself. The object of this letter is, therefore, most respectfully to urge upon your attention the grave necessity that Secretary McAdoo's successor shall be a man of the greatest ability that can be found, who would undertake the work still unfinished in the spirit of patriotism and with no other purpose than to see the country secure and fortified against the many dangers which menace ourselves and the whole world.

I am fully aware, Mr. President, that a situation as grave as that with which we are now confronted would seem to demand the appointment of some one who would command the confidence of everyone by reason of a record with which everyone is fully acquainted. It is probably a fact that Secretary McAdoo has been able to command, to a degree never enjoyed by any of his predecessors, the confidence and respect of the bankers of the country. This has been due to his courage, ability and resourcefulness, and, in part, to the admirable selection of associates and assistants that he has made. I know all of them, and know of the unselfish, patriotic spirit in which they have undertaken their duties. Believing as I do that no consideration will be allowed to enter into this matter except that of the public welfare, I have become convinced that the interests of the nation will be best served if circumstances permit of the appointment of Mr. Leffingwell to succeed Secretary McAdoo. He has carried a very large share of the burden of that office during the period when Secretary McAdoo has been in charge of the railroads. Necessarily, he has had a very intimate and direct contact with the Federal reserve banks and generally with the bankers of the country. He commands their respect and confidence. The advantage of appointing someone of his experience and intimate knowledge of these various problems to which I refer outweighs, I believe, every consideration that might be advanced in favor of some other appointment, such, for instance, as the advantage of appointing someone who is better known as a financier and statesman. The chances are that he has not the remotest thought of such an appointment, and were it suggested to him I am inclined to believe that he would not feel qualified to accept it. I am confident, however, that he is fully capable of filling the office; that he will do so with credit to himself and to the department and to the entire satisfaction of the country generally and particularly of the bankers who must be relied upon still for many months to come for unreserved support of the Treasury

11/26/18.

Department.

You will, I am sure, understand the object of this letter. I have never before felt justified in addressing such a letter to you, and do so now only because of my consciousness of the importance of this matter and of my intimate familiarity with the work of the Treasury Department.

With assurances of my esteem, I beg to remain,

Respectfully yours,

To the President,
The White House,
Washington, D. C.

ES/MSB

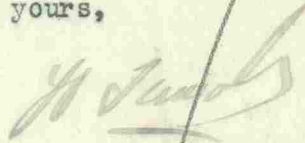
THE WHITE HOUSE
WASHINGTON

November 27, 1918.

My dear Governor Strong:

I have received your letter of November 26th, and, in accordance with your request, have brought the communication to which you refer to the attention of the President.

Sincerely yours,



Secretary to the President.

Hon. Benj. Strong,
15 Nassau Street,
New York City.

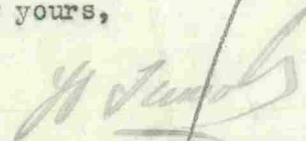
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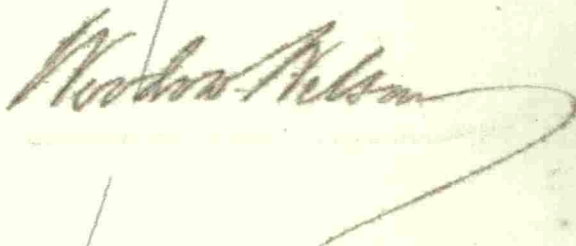
THE WHITE HOUSE
WASHINGTON

28 November, 1918.

My dear Mr. Strong:

Thank you sincerely for your letter of November 26th. This is a very brief acknowledgement, because of the hurry of the day, but you may be sure that your advice will not receive brief consideration.

Cordially and sincerely yours,



Hon. Benjamin Strong,
15 Nassau Street, New York, N.Y.

THE WHITE HOUSE
WASHINGTON

28 November, 1918.

My dear Mr. Strong:

Thank you sincerely for your letter of November 26th. This is a very brief acknowledgement, because of the hurry of the day, but you may be sure that your advice will not receive brief consideration.

Cordially and sincerely yours,

A handwritten signature in cursive script, appearing to read "Woodrow Wilson". The signature is written in dark ink and is positioned to the right of the typed name. A thin, dark line extends from the end of the signature downwards and to the left, crossing the recipient's address.

Hon. Benjamin Strong,

15 Nassau Street, New York, N.Y.

Blue
Nite
N L

WESTERN UNION TELEGRAM



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

Use these symbols after the check (number of words) this is a telegram. Otherwise its character is indicated by the symbol appearing after the check.

PM 4 14

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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 40 BROAD STREET, NEW YORK CITY

5 PINE ST., N. Y. Phone Receptor 9288

47N AON 102 GOVT

THE WHITE HOUSE WASHINGTON DC 345P SEP 16 1921
883

BENJAMIN STRONG

FEDERAL RESERVE BANK 15 NASSAU ST NEWYORK NY

I AM DESIROUS OF INCLUDING YOUR NAME IN THE FORTHCOMING CONFERENCE ON UNEMPLOYMENT TO BE HELD IN WASHINGTON IN ABOUT TEN DAYS STOP THE OBJECT OF THE CONFERENCE IS TO INQUIRE INTO THE VOLUME AND DISTRIBUTION OF UNEMPLOYMENT TO ADVISE UPON EMERGENCY MEASURES THAT CAN BE PROPERLY TAKEN BY EMPLOYERS AND LOCAL AUTHORITIES AND CIVIC BODIES AND TO CONSIDER SUCH MEASURES AS WOULD TEND TO GIVE IMPULSE TO THE RECOVERY OF BUSINESS AND COMMERCE TO NORMAL STOP I WOULD BE GLAD IF I COULD HAVE YOUR ACCEPTANCE STOP I DO NOT PROPOSE TO MAKE ANY PUBLIC ANNOUNCEMENT UNTIL THE LIST IS COMPLETE

WARREN G HARDING

403P

TIME OF RECEIPT
ON THIS MESSAGE
EASTERN STANDARD TIME

b. President Harding
1921-1923

Personal file
THE WHITE HOUSE
WASHINGTON

September 26, 1921.

My dear Governor Strong:

I had your note of September 20th and very much appreciate the spirit of helpfulness which is given expression therein. I have told Mr. Hoover of its contents, and have no doubt he will welcome the helpfulness which I know you will be able to afford him. Please know of my own appreciation.

Very truly yours,

Woodrow Wilson

Hon. Benj. Strong,
1718 H Street,
Washington, D. C.

Personal file

THE WHITE HOUSE
WASHINGTON

September 26, 1921.

My dear Governor Strong:

I had your note of September 20th and very much appreciate the spirit of helpfulness which is given expression therein. I have told Mr. Hoover of its contents, and have no doubt he will welcome the helpfulness which I know you will be able to afford him. Please know of my own appreciation.

Very truly yours,

Woodrow Wilson

Hon. Benj. Strong,
1718 H Street,
Washington, D. C.

May 26, 1922.

you will, I am sure, understand, my dear Mr. President, that I am submitting this personal expression of views to you most respectfully from the most disinterested motives and because I believe it to be in the interest of the Federal Reserve System and of the country that the bill should be returned to the

May 26, 1922.

My dear Mr. President:

With considerable reluctance I am asking for sufficient of your time to read the following comments, which I am taking the liberty of addressing to you, in regard to the bill which has just passed the Congress, providing for an additional member of the Federal Reserve Board, and containing in addition a provision that no building shall be constructed by a Federal reserve bank at an expense in excess of \$250,000 except with the approval of Congress. The latter provision I understand does not apply to buildings now in course of construction.

As to the provision enlarging the membership of the Board, I deeply regret its necessity. It appears, however, to afford the opportunity, if you should think it wise to do so, to reappoint Governor Harding as a member of the Board and Governor of the Board. This I believe is essential to the welfare of the System.

As to the limitation upon building operations of the reserve banks, permit me to respectfully suggest that this is the first step by Congress in the direction of a political and legislative control of the affairs of the banking system, which, if extended as may indeed be the case, is liable to impair its usefulness hereafter and to subject it to repeated and progressive legislative restriction, which in the long run will be dangerous if not fatal.

Executive assent to this first step would appear to me to be encouraging to those who are now criticizing the System, toward the extension of this sort of legislative supervision.

May 26, 1922.

You will, I am sure, understand, my dear Mr. President, that I am submitting this personal expression of views to you most respectfully from the most disinterested motives and because I believe it to be in the interest of the Federal Reserve System and of the country that the bill should be vetoed. If the provision as to the bank buildings were omitted I would not feel this way - in fact, in my last talk with Secretary Mellon I took the liberty of expressing the view to him that I thought the enlargement of the Board by the addition of one member, as proposed by the bill, was the only method by which the subject of agricultural representation on the Board could be dealt with so as to avoid sacrificing Governor Harding.

If it might appear to you that I am guilty of any impropriety in writing to you directly on this subject, I hope that you will ascribe it to the deep interest which I feel in the welfare of the Federal Reserve System, with which I have been connected since its organization, and in the service of which I have given some years of hard work and anxious thought.

With assurance of my esteem, believe me,

Respectfully yours,

Benj. Strong,
Governor.

To the President,
The White House,
Washington, D. C.

BS.MM

Personal file

THE WHITE HOUSE
WASHINGTON

FILES DIV.

JUN 9 1922

June 3, 1922.

FEDERAL RESERVE
OF NEW YORK

My dear Mr. Strong:

I am writing to acknowledge yours of May 26th, which came to me through the Secretary of the Treasury, expressing certain objections to the amended Federal Reserve Act as presented to me for signature. I recognize the force of some of the objections offered, but I very much question the wisdom of returning the act without approval on that account. I trust we shall be quite able to maintain a helpful and dependable course under the modified provisions of the act.

Very truly yours,



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

Personal file

THE WHITE HOUSE
WASHINGTON

FILES DIV.

JUN 9 1922

FEDERAL RESERVE ~~June 3, 1922.~~
OF NEW YORK

RECEIVED BY
MR. STRONG
1922

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Very truly yours,



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

THE WHITE HOUSE
WASHINGTON

September 12, 1922.

My dear Mr. Strong:

I am grateful to you for your message
of September 11th. It has been comforting
and encouraging to know of the interest and
good wishes which your message conveyed.

Gratefully yours,

Woodrow Wilson

Mr. Benjamin Strong,
15 Nassau Street,
New York City.

No copy sent to files

THE WHITE HOUSE
WASHINGTON

September 12, 1922.

My dear Mr. Strong:

I am grateful to you for your message
of September 11th. It has been comforting
and encouraging to know of the interest and
good wishes which your message conveyed.

Gratefully yours,

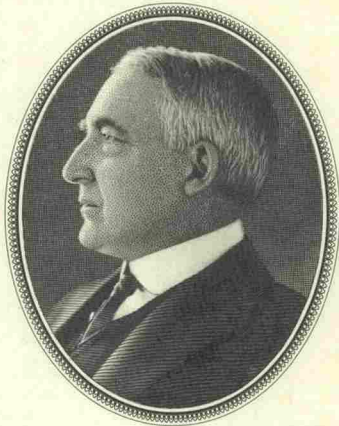
Woodrow Wilson

Mr. Benjamin Strong,
15 Nassau Street,
New York City.

-No copy sent to files

to Calvin Coolidge
President

[1923]



Woodrow Wilson

To whom these presents shall come
be it known that by virtue of authority invested in me
I hereby constitute

Benjamin Strong

an associate member
of the

HARDING MEMORIAL ASSOCIATION

William C. Coker

HONORARY PRESIDENT.

