

No. 012.1

Federal Reserve Bank

District No. 2

Correspondence Files Division

STRONG PAPERS

SUBJECT

1.) STRONG TO WM. G. MC ADAM
1914-1919

August 4, 1914.

Hon. William G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

My dear Mr. McAdoo:-

I enclose a preliminary draft of the meeting of the committee of ten associated subscribers who have contributed to the \$5,000,000 fund proposed to be sent by the U. S. S. "Tennessee" to England and Europe, there to be used only and solely for the purpose of payments against travelers' credits issued by all American concerns. Of course the cashing of such travelers' credits will involve consideration of the responsibility of the banks or bankers drawing such letters of credit, but no trouble is anticipated in that direction, and the fund is intended to meet the requirements of all responsible American travelers' credits.

The enclosed is a preliminary draft only, but it embodies the substance of the meeting held this afternoon and is subject to revision in form only.

It is the firm belief of the committee that the proposed relief work would be much more effective if the same agencies handled, not only the relief contemplated to be furnished by the Government, but also the relief which is to come from the fund contributed by the ten New York City institutions. Therefore the committee strongly urges the Government to appoint as its fiscal agents which the committee has selected, namely, the Guaranty Trust Company, Messrs. Morgan, Grenfell & Co., and Brown, Shipley & Co., in London, and Messrs. Morgan, Harjes & Co. and the American Express Company in Paris. The selection of such agencies fully equipped for such work by the committee was merely the selection of the ones most available for the purpose. The institutions represented here are acting in entire co-operation, no one trying to seek special credit for itself.

It is highly essential that the shipment is not complicated by any other features than solely relief features.

It may be advisable to take up some form of receipt, or some similar paper, to be given by the Government, of the nature corresponding to a short form of bill of lading, to be given by the Government or by the Captain as master of the ship, indicating the consignor, who would be the Bankers Trust Company as agent, a citizen of the United States, and giving the consignee, the Guaranty Trust Company, a citizen of the United States, stating that the property consigned is solely a relief fund, limited in its use to financing the needs of the holders of American travelers' credits - all that to avoid the possibility of its being construed a commercial proposition and therefore involving possible contraband features.

This letter is written hurriedly, but to comply with your wish that you have something from me before you tomorrow.

Yours very truly,

(Signed) Benjamin Strong, Jr.

President.

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12/3

MINUTES

(Temporary Cover)

GOLD FUND CONTRIBUTED FOR USE IN CASHING TRAVELERS'
CREDITS ISSUED BY AMERICAN INSTITUTIONS AND BANKERS,
HELD BY TOURISTS IN DISTRESS ABROAD.

Minutes of First Meeting of
Representatives of Contributors.

August 4, 1914.

A meeting was held this afternoon, at the office of the Bankers Trust Company, at which the following were present:

Messrs. W. L. Benedict, of Kidder, Peabody & Co.,
James Brown, of Brown Bros. & Co.,
A. J. Hemphill, of the Guaranty Trust Company,
J. P. Morgan, of J. P. Morgan & Co.,
Benj. Strong, Jr., of the Bankers Trust Company,
Geo. C. Taylor, of the American Express Company.

The gentlemen present organized informally as a committee with respect to considering the ways and means of transmitting gold to England and Europe, to be used in connection with travelers' credits for the relief of Americans now in England and Europe.

Mr. Benj. Strong, Jr. presided at this informal meeting and explained the following plan:

He said that he was advised that the Government was prepared to dispatch the United States warship "Tennessee", upon which could be sent gold for use in cashing travelers' credits for the relief of American tourists.

He stated that the Bankers Trust Company had available \$5,117,000. in gold, which it was prepared to ship on such warship in connection with the participation in such shipment by other banks and bankers; that ten New York City banks or bankers were prepared to go in pro rata on the basis of a contribution of

\$511,700. each, towards a total fund of \$5,117,000., the Bankers Trust Company to receive reimbursement from the other contributing banks or bankers in gold.

Mr. Strong stated that the following ten institutions were ready to so contribute:

American Express Company	Guaranty Trust Company
Bankers Trust Company	Kidder, Peabody & Co.
Brown Brothers & Co.	J. P. Morgan & Co.
Farmers Loan & Trust Co.	National Bank of Commerce
First National Bank	National City Bank

It was agreed that the gold so shipped should be insured, if possible, against all risks except war risks, the latter being not obtainable, and that if it was found impossible to obtain insurance to cover the entire risk, but enough to cover more than one-half of the risk, in that event the amount not covered would be pro rated among the ten institutions contributing to the fund; but that if it was found impossible to obtain insurance up to one-half of the entire risk, no action should be taken with respect to the shipment until a further meeting of the committee. The matter of obtaining such insurance was left to the Bankers Trust Company and the American Express Company.

It was further determined that the gold should be delivered to the American Express Company for shipment on the "Tennessee". The Committee accepted Mr. Taylor's offer of the services of the American Express Company, organizing a force of men to supervise the shipment in transit and to accept delivery on arrival of the "Tennessee", on the understanding that the American Express Company assume no risk except that attaching to its own shipment.

Mr. Taylor stated that the force which he planned to put in charge of such shipment would be under the direction of Mr.

Henry Gee and Mr. John Grier, the latter of C. D. Barney & Co., and Mr. Taylor's statement in that respect was approved by the committee.

The Bankers Trust Company was appointed as the New York fiscal agent of the fund. The Bankers Trust Company was empowered as such fiscal agent to deliver to the American Express Company the fund (or that part of it) to be shipped via "Tennessee".

The Committee voted the fund, as contributed, should be used for payments against travelers' credits, (i. e. letters of credit and travelers' cheques) issued by American bankers or banking houses and the American Express Company, or other American institutions, in amounts necessary to relieve the needs of the holders of such travelers' credits, the sole purpose of the creation and administration of the fund being for relief so to be effected through cashing such credits for the holders thereof.

It was the sense of the committee that the determination of the amounts to be paid against travelers' credits as presented from time to time should be as advised by a committee or committees organized under the auspices of American travelers abroad, as approved by this committee at a later meeting, such committee so selected to be instructed and authorized by this committee to reject, in its discretion, any particular travelers' credit presented for payment, and in its discretion to advise the fiscal agents of the committee in London and Paris as to the particular travelers' credits which shall be cashed from such funds.

It was deemed wise at this time to make no public announcement.

On the question of the liability of shippers and the risk of loss, the committee was advised that there would be no legal responsibility on the part of the United States Government to reimburse the shippers in the event of loss of the shipment, unless some definite arrangement was made to that effect.

It was agreed that at a subsequent meeting of the committee specific instructions would be formulated and sent to Mr. Fred I. Kent as representing the Bankers Trust Company, respecting the disposal of the fund.

It was decided to take up at a later meeting the details of the manner in which the ten Original Contributors and additional contributors were to be reimbursed for their contributions.

It was further suggested that each contributor receive, on payment of his contribution, a certificate from the Bankers Trust Company as agent to evidence such payment.

It was the unanimous agreement of the committee that Morgan, Grenfell & Co., Brown, Shipley & Co. and Guaranty Trust Company of New York be appointed fiscal agents of the Committee, in London, and Morgan, Harjes & Company and American Express Company such agents in Paris, and that such fiscal agents be entirely free to act as the fiscal agents of the United States Government in the distribution of the contemplated relief fund to be sent abroad by such Government.

The Committee approved the recommendation hitherto made by Mr. Strong to the Administration at Washington, that the guaranty Trust Company of New York, Morgan, Grenfell & Co. and Brown, Shipley & Co. be appointed the special fiscal agents of the United States Government for the purpose of the United States

Relief fund in London, and that Morgan, Harjes & Co. and the

American Express Company be appointed such agents for like purposes in Paris; as it was the unanimous opinion of the committee that both economy and efficiency advised that all contemplated relief work be done through the same agencies.

Adjourned.

MINUTES of a meeting held Wednesday, August 5, 1914, of a Special Committee appointed to outline instructions in connection with the application of the Gold Fund in cashing Travellers' Credits.

PRESENT: Mr. Benjamin Strong, Jr., Chairman. Messrs. Benedict, Brown and Taylor.

The Chairman stated that he had added to the membership of the whole Committee, Mr. Charles D. Norton, Mr. John E. Gardin, of the National City Bank, Mr. C. E. Agnew of the Farmers Loan & Trust Company and Mr. James S. Alexander, representing the National Bank of Commerce, making a committee consisting of ten members, with a representative from each of the ten institutions, thereafter to be known as the "Original Contributors".

The Chairman's action was approved.

An informal discussion was had of the questions to be settled in connection with the cashing of Travellers' Cheques as distinguished from Letters of Credit, and the ways and means of the Gold Fund being reimbursed for the payment made from it in cashing Travellers' Cheques.

The rates of exchange to be fixed were discussed.

A preliminary memorandum was drafted and distributed for consideration, thereupon the meeting adjourned until 2:30 P. M.

At 2:30 P. M. the meeting reconvened with all members of the Special Committee in attendance.

There was submitted a memorandum with reference to Travellers' Cheques and the Special Committee recommended

that both drafts drawn upon Letters of Credit and Travellers' Cheques should be cashed at the fixed rate of \$4.90 per pound sterling (the rate already fixed on Travellers' Cheques) in order that both Cheques and Letters of Credit be put upon parity.

The Special Committee agreed to recommend that the expenses incurred in the administration of the Gold Fund should be covered as follows:

FIRST: Upon the drafts drawn against the Letters of Credit by the holders thereof, the drawers of such drafts should be asked on receipt of accommodation, to agree by notation upon the drafts to pay the expenses incurred by the Fund in cashing such drafts, in the proportion in which the amount paid on such drafts should bear to the total amount of payments from the Fund against Travellers' Credits; but irrespective of whether or not the holders of such Letters of Credit should so agree, the institutions, (contributors to the Fund), should pay the expense incurred by the fund in cashing such drafts in like proportions, and institutions not contributors to the fund should be invited to pay the expenses incurred in cashing their drafts in like proportions.

SECOND: Institutions issuing Travellers' Cheques who are at the same time contributors to the fund, shall reimburse the fund for the expense incurred in connection with cashing ^{their} Travellers' Cheques by payments from the fund. Issuers of Travellers' Cheques (not contributors) will be invited to reimburse in same way such expense as to their cheques.

THIRD: In so far as the fund shall not be so reimbursed as provided in "First" and "Second", the contributors shall be charged with the deficit so resulting pro rata to their respective contributions.

Report was submitted to the Committee of the progress made in obtaining insurance and the Special Committee recommended that no shipment should be made of any part of the fund by the United States Steamship "Tennessee" unless the entire value of the shipment was covered by all marine risks, exclusive of war risks.

The meeting of the Special Committee thereupon adjourned.

MINUTES of a meeting of the General Committee held at
10:00 o'clock A. M. Thursday, August 6th, 1914.

PRESENT: Messrs. Strong, Chairman; Benedict, Hemphill, Brown,
Morgan, Gardin, Agnew, Alexander and Taylor. There were also present
Mr. Harrison, Counsel for the Express Company, and Messrs. Fay and
White.

The Chairman read to the meeting, a cable just received
from Mr. Fred I. Kent, making suggestions as to the method of
handling the gold fund, and criticising suggestions made to him from
New York. The Committee voted that so far as possible, the instruc-
tions as stated in such cable to Mr. Strong should be carried out.
The Committee voted that Mr. Kent be authorized to work out a plan
of handling the Fund, as he might see fit, under the supervision and
government of a London Committee to represent this Committee, which
should include in its membership a representative from Messrs.
Morgan, Grenfell & Company, from Brown, Shipley & Company, from
Baring Brothers & Company, from Guaranty Trust Company of New York
(maintaining a branch in the City of London), and from American
Express Company. Such London Committee should also include Henry King
Smith as representing The Farmers Loan & Trust Company, Fred I. Kent
as representing Bankers Trust Company, and Lawrence M. Jacobs as re-
presenting National City Bank (of New York). Mr. Strong and Mr.
Brown were authorized by the Committee to carry out the details of
instructing Mr. Kent as to the action of this Committee in such re-
spect.

The Chairman and Mr. Brown were authorized to formulate

the instructions of the Committee to Mr. Kent and transmit them either by cable or by letter, bearing in mind provision, if possible, to secure reimbursement in New York fund, payable in New York City, for all amounts of the fund used in cashing Travelers' Credits.

Mr. Morgan announced that he expected to have established a gold credit with his Paris firm, Messrs. Morgan, Harjes & Company, in the amount of \$6,000,000. and that he was willing to set aside for the purposes of the Fund, \$3,000,000. of such \$6,000,000. gold credit, if the tenOriginal Contributors to the Fund would be willing to become Contributors to such \$3,000,000. on the same basis on which they had contributed to the Fund to be sent to London. All the members of the Committee on behalf of the institutions represented by them, accepted Mr. Morgan's offer.

The Chairman outlined to the Committee the Special Committee's recommendations covering rates of exchange to be followed in cashing travellers' credits from the fund, and method for reimbursement to the fund for expenses to be incurred, etc., (all as set forth in the minutes of such Special Committee), which such Committee had agreed upon at their meetings, held August 5, 1914, and such recommendations were approved.

The Chairman announced that insurance as yet had not been effected, but the underwriters were in conference endeavoring to arrange for at least \$3,000,000. insurance.

The Committee authorized Messrs. Taylor, Harrison and Fay to confer with the Sub-treasury and formulate a receipt to be given by the Government against the gold to be shipped via the "Tennessee".

The Committee agreed that the shipment going via the "Tennessee" should be sent to the London City and Midland Bank, Ltd.,

London, to be placed in its custody, to be held by such Bank at the disposal of the London Committee above mentioned.

The Chairman stated that the Government officials had limited the number of agents of the Committee to accompany the "Tennessee" shipment to five men, and such five men were thereupon designated by the Committee as follows:

Messrs. John P. Grier,
Henry W. Lewis,
Arthur R. Jones,
Eliot Tuckerman,
Harvey D. Gibson.

The Chairman was authorized by the Committee to give all letters necessary as credentials of such five agents.

The Chairman was authorized to prepare an announcement to be given to the press and others interested. Thereupon, the Committee adjourned until 4:00 P. M. the same day.

The Committee at 4:00 P. M. reconvened, the entire Committee except Mr. Norton being present.

The Chairman stated that in view of the probability of the \$3,000,000. gold credit to be established, for the Fund in Paris, with Messrs. Morgan, Harjes & Company, it might be desirable to limit the shipment by the "Tennessee" to \$3,000,000. in gold.

The Committee thereupon voted to limit the shipment via the "Tennessee" to \$3,000,000.

The Chairman stated that insurance to cover the entire value of such shipment had been obtained, written in the name of the Secretary of the Treasury of the United States, and that the receipt to be given by the Government against such shipment provided that such Secretary of the Treasury would hold such insurance for the benefit of the Fund. Such action was approved.

The Chairman stated that word had just reached him that afternoon (August 6) that the United States Government proposed to make a freight charge for transporting the gold shipped on account of the fund by the "Tennessee", and that he was surprised at such proposition in view of the entire failure of the Government previously to mention any such charge.

The Chairman mentioned that he had been conferring with government officials since Monday evening (August 3); that at Washington on that evening he had informed them of the \$700,000. gold shipment made by the Bankers Trust Company then in transit; that Mr. Kent in London had been insistent to obtain for immediate use \$300,000. for relief; that the Bankers Trust Company was willing to divert from commercial uses to relief uses \$300,000., so asked for by Mr. Kent, out of the \$700,000. shipment; such \$300,000. to be reimbursed from the then proposed government appropriation for relief use.

The Chairman stated at all conferences, whether held at Washington or over the telephone, and in all correspondence, the relief character of the fund had been brought to the government's attention.

The Committee voted to acquiesce in the Government's present intention to make a freight charge, but with the purpose to bring all the facts to the Government's attention, showing the propriety of remitting such freight charge.

A form of preliminary memorandum outlining the control of the fund by the Committee and the limitations of the risks assumed by the Ten Original Contributors, was thereupon executed by all members of the Committee on behalf of the institutions respectively represented, constituting the Ten Original Contributors.

The original of such Memorandum was ordered filed with the Chairman.

It was understood that counsel should formulate, in reasonable detail, a statement of the Plan relating to the fund, setting forth the powers and authority of the Committee in the receipt, transmission and disposition of the fund, to all the terms of which the certificates evidencing contributions to the fund should state that all contributions (whether original or additional) should be subject.

The Committee was informed that the situation still required an actual shipment to London, it still being impossible to establish by cable a gold credit in London against an offsetting gold credit set up in New York.

The Chairman thereupon stated that everything was in readiness to effect the "Tennessee" shipment.

On motion the meeting then adjourned.

Friday, August 8, 1914.

MESSAGE TO THE SECRETARY OF THE TREASURY FROM

BENJAMIN STRONG, JR.

- - - - -

In order that you may be fully informed, and particularly of the arrangements respecting shipment of gold to London by cruiser Tennessee and its disbursement there, I quote the following cable sent to Mr. Kent last night:

"Personally delivered three million dollars in gold in double eagles to United States Assistant Treasurer on Tennessee tonight for relief American holders of Travelers' Cheques and credits and she has sailed, destination English port to be advised to you later. All insured without war risk. Gold accompanied by John P. Grier, Henry W. Lewis, Arthur I. Jones, Elliot Tuckerman and Harvey D. Gibson as accredited agents New York Committee, with written instructions for delivery gold to the London City and Midland Bank on delivery of gold to them in England by United States Government. Committee is sending written instructions in duplicate to London City and Midland Bank, London, to place gold at disposal of your London Committee, increased by adding representatives nominated by Morgan Grenfell, Brown Shipley, Baring Brothers, Guaranty Trust Company of New York, London, American Express Company, also Henry King Smith, representing the Farmers Loan, and L. M. Jacobs, representing the National City Bank, all in London, with yourself representing the Bankers Trust Company. These appointments are official and necessary. Reimbursements of drafts against travelers' credits are to be in New York funds in New York at 4.90 plus interest and all expenses when ascertained, and clause to that effect to be endorsed on draft. Reimbursement in New York of travelers' cheques is to be made at their face; payments to be made exclusively to holders of travelers' cheques and credits, after verification in usual way. All checks and drafts are to be cashed in Sterling, under direction of London Committee. Checks and drafts are to be forwarded to Bankers Trust Company for collection and reimbursement. Endeavor to secure advance at once against gold in transit for such amount as you will require before arrival. New York Committee recommends moderate advance to each applicant. Committee's only protection for repayment of advance is through collection of New York drafts and checks cashed in London. Committee is advised Morgan is arranging to deposit three to six million gold for credit Bank of France, to be immediately disbursed in Paris for similar purpose there. Particulars will be cabled you shortly, so that London Committee may cooperate with Morgan Harjes. Necessity for depositing balance of gold here to establish Paris credit reduced London shipment to three million from amount originally advised. Understand Government shipment on Tennessee one million, five hundred thousand, regarding which cooperate with Government officials in charge. Have endeavored to conform as near as possible to suggestions in your latest cable. Hope above will fully meet situation. To authenticate this duplicate will be cabled to Brown Shipley & Company of London. Please compare.

(Signed) Benjamin Strong, Jr., Chairman.

Message to the Secretary of the Treasury from Benjamin Strong, Jr.
continued -

The above message replied to a message received from Mr. Kent that he must anticipate arrival of the gold by honoring all good credits in London against its arrival, which credits the banks will hold as collateral until the gold is received. He can arrange at once to make payment on all good credits against the government or general bank fund shipment. The hotels in London are doing wonders in advancing credit but have reached their limit. Necessary that he should have London Committee of bankers give assurance to hotels that credits honored by them will be paid according to London method when decided upon, such credit at present only being used by board. It is his idea that the various London bankers on whom credits are drawn should make out the drafts in the regular manner, but to the order of the hotels which take them in settlement for bills. The banks will then certify such checks and the hotels will thereby be assured that they can deposit them when cover is provided. This will divide the work among the banks properly and prevent any distribution of cash for boarding (this word may have been intended for hoarding) and will at once allow payment of cash in small amounts. Quoting from cable he says:

"Government gold would only be held pending ultimate collection good credit and government would receive certified paper referred to as collateral from banks in meantime."

He also says that people have about exhausted their resources and must have relief at once. We are having some delay in exchange of cables, by reason of the censorship which we are asking the State Department to endeavor to eliminate by instruction cable to Ambassador Page. We would appreciate Secretary McAdoo's co-operation.

I am in receipt of definite advice from the London City and Midland Bank, our bank correspondent in London, that they have released to Mr. Kent seven hundred thousand dollars of gold, which I advised Secretary McAdoo and Secretary Bryan on Monday last we would endeavor to place at the disposal of the government, and I assume that Mr. Kent has met the emergency in London by the use of considerable part of this gold in advance of its arrival, and of the arrival of the gold shipped on the Tennessee by the Government. It is quite possible that this gold has been used to complete the credit of three hundred thousand dollars which Mr. Kent arranged for Ambassador Page. I am, therefore, sending Mr. Kent the following cable:

"Government shipping million half gold on Tennessee. Understand will be disbursed in cooperation with your committee by officers in charge. This includes the three hundred thousand made available to Ambassador Page by State Department. Wire immediately if further instructions on that matter are required. Hope everything now in good shape."

In order that reimbursements may be effected, either to Mr. Kent or to our London banks, to whom the gold was consigned, it will be necessary for the State Department to cable explicit instructions to Ambassador Page and convey instructions to the repre-

Message to the Secretary of the Treasury from Benjamin Strong, Jr.
continued -

representatives of the Government in charge of the Government gold shipped by Tennessee to apply so much of the million, five hundred thousand dollars of the Tennessee gold to the repayment of whatever amount was used out of the seven hundred thousand dollars of gold placed at the disposal of the Government, pending arrival of Tennessee.

I am this morning advised that the arrangements for the disbursement of the credit arranged with the Bank of France, through J. P. Morgan & Company and Morgan, Harjes & Company are substantially completed. The money is already being disbursed and details in respect of the method of effecting disbursements at Paris will be conveyed to Secretary McAdoo just as soon as they are completed.

I believe it is exceedingly important that instructions be conveyed to those in charge of the gold shipped by the Government on the Tennessee, informing them that the London and Paris arrangement which was in course of completion when the Tennessee sailed, will be perfected and in complete operation by the time of their arrival, and further instructing them to take advantage of this machinery and cooperate with the London and Paris committee.

At our meeting in Washington Monday night I asked the Secretary of State if arrangements could not be made to furnish the Commander of the Tennessee with credentials issued by the embassies of the various foreign governments with respect to whom any question of belligerency or contraband might arise. While we in New York regard the possibility of difficulty on this score as very remote, we do feel that it must be covered. Might not this be done by wireless communication if it was not covered before the cruiser sailed?

BENJAMIN STRONG, JR.

August 11, 1914.

Hon. W. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

My dear Mr. McAdoo:-

I have your note of the 8th instant, and am arranging to have a number of the members of a strong committee of foreign exchange bankers, which has already been appointed in New York, attend the conference at your office at 11 o'clock on Friday.

At the moment I am unable to advise you of the names, beyond stating that both Mr. Max May, of the Guaranty Trust Company, and Mr. John E. Gardin, of the National City Bank, will both probably attend, and I am hoping that Mr. Ickelheimer, of Messrs. Heidelberg, Ickelheimer & Company, will also be present. These gentlemen have already undertaken a thorough investigation of the foreign exchange problem, and are in my opinion best able to furnish the data required.

Will you permit me to suggest that a discussion of this matter is bound to raise questions in regard to marine insurance, which might well be answered on the spot by having a leading representative of marine insurance interests present at the meeting. My suggestion would be Mr. Hendon Chubb.

I have also taken the liberty of asking Mr. Olds, my representative in Washington, to ascertain from your office whether you wish me to make any other arrangements in New York with respect to attendance at this meeting. I shall certainly be there myself and do anything in my power in New York to make the attendance a satisfactory one to you and to your associates.

Very truly yours,

(Signed) BENJ. STRONG, JR.



Washington, D. C. September 4, 1914.

To the Honorable *Secretary of the Treasury*
~~Committee on Finance~~
and the ~~Office of~~ Federal Reserve Board.

Sir:

The committee appointed by the conference of Bankers appreciates the desirability of relieving the present international exchange situation and particularly of regulating the outflow of gold. The Committee at the same time realizes the necessity of promptly meeting the obligations of banks, corporations, and individuals to Europe, thereby maintaining the high credit of this country and demonstrating its ability to meet its obligations.

For this purpose, and with this object in view, this Committee recommends to the Federal Reserve Board the following plan:

That the banks of this country, especially those located in Reserve and Central Reserve cities, be requested to contribute to a gold fund of \$150,000,000, of which \$25,000,000 to be immediately paid into the depository of the Bank of England in Canada, for which a participation deposit receipt will be furnished to each contributing bank. The remainder of the contributed amounts to be subject to call by the New York Committee through the local Committees of the respective cities, and to be paid for in New York Exchange.

Said New York Committee to be appointed by the New York Clearing House Association, and said local Committees to be appointed by the Clearing House Associations of the respective contributing cities. The Committee appointed by the New York Clearing House Association to be charged with the duty of handling the said fund, of fixing the price at which foreign exchange is to be bought and sold and is to make regulation from time to time upon the respective contributing cities through the local committees thereof. Said local committees shall have supervision in the respective cities of the shipments and general withdrawals of gold.

This committee recommends that the Federal Reserve Board take steps to ascertain the amount of gold that will be contributed by the banks in the respective cities, and that it use its influence to have the said banks contribute their proper pro-rata.

Respectfully,

Benj. Strong, Jr.
L. L. Rus,
Sol Wexler
Jas. B. Forgan
Thomas P. Beal

CONFIRMATION OF TELEGRAM FROM
BANKERS TRUST COMPANY,
16 WALL STREET
NEW YORK CITY

✓ 35
✓ 15
September 8th, 1914.

W. G. McAdoo, Secretary Treasury,
Washington, D. C.

Will be at your house nine P. M. Wednesday evening. Morgan Schiff and
I will keep nine thirty appointment Thursday.

Benj. Strong Jr.,

Charge:
Bankers Trust Co..

For the purpose of discussing the general situation, the Federal Reserve Board invites you to attend a conference of Bankers representing the Federal Reserve cities, to be held at its offices at the Treasury building, at Washington, Friday, Sept. 4th at eleven o'clock. It is suggested that each Clearing House send two delegates representing both National and State institutions. Please telegraph promptly names of delegates. It is desirable that your representative bring along the latest condensed statement of your Clearing House institutions so as to be in a position to impart such information as he may feel free to give.

The Federal Reserve Board is desirous of ascertaining as nearly as possible the amount of the present United States cash indebtedness to Europe and maturing obligations, and vice versa, similar indebtedness of Europe to the United States. Any information that you may be able to collect in this respect covering your own district will be appreciated. It is suggested that you ask Mr. Seth Low and H. R. Towne to act with you as a local committee, which, by circular or through the press, would call promptly for such information, which, of course, will have to be treated as confidential. The names of foreign debtors or creditors need not be given, but the amount and character of the credit and debit balance or maturing obligations in dollars or in foreign exchange. It is probable that at the Washington meeting a committee will be organized to study the question and to give advice as to which debts are covered by moratorium and as how to deal with those that are not covered.

CONFIRMATION OF TELEGRAM FROM
BANKERS TRUST COMPANY,
16 WALL STREET
NEW YORK CITY

September 8, 1914.

X
W. G. McAdoo, Secretary of Treasury
Washington, D. C.

X X
Messrs Morgan, Schiff and I would appreciate your making appointment
for conference in Washington as early Thursday morning as possible.
If you desire I can leave by early train in time for preliminary
conference Wednesday evening at your convenience entirely.

Charge:

FRASER'S Trust Co.

Benj. Strong Jr.

GOLD FUND COMMITTEE

NEW YORK CLEARING HOUSE ASSOCIATION BUILDING
NEW YORK CITY

APPLICATION FOR CHECK

No. _____
NOT TO BE FILLED IN BY APPLICANT

(WHEN APPLYING FOR CABLES USE OTHER FORM)

19

The undersigned submit the following application for CHECK ON LONDON subject to the rules of the GOLD FUND COMMITTEE.

NAME AND ADDRESS OF APPLICANT

STERLING AMOUNT DESIRED (IN WORDS)

SAME AMOUNT (IN FIGURES)

STATE BELOW NATURE OF TRANSACTION TO BE COVERED BY EXCHANGE APPLIED FOR (SEE OVER)

CHECK TO BE DRAWN TO THE ORDER OF

DELIVERED OR FORWARDED TO

IF APPLICANT IS NOT LOCATED IN NEW YORK CITY, STATE NAME OF THE NEW YORK BANKING INSTITUTION THAT HAS BEEN INSTRUCTED TO MAKE PAYMENT FOR THIS EXCHANGE, IF ALLOTTED, AND TO WHOM NOTICE OF ACCEPTANCE OF APPLICATION MAY BE GIVEN

REMARKS

WILL PARTIAL ALLOTMENT
BE ACCEPTED

AUTHORIZED SIGNATURE OF APPLICANT

SPACE BELOW RESERVED FOR USE OF GOLD FUND COMMITTEE

CLASSIFICATION

DISPOSITION

AMOUNT ALLOTTED

RATE

\$

CHECKED

DRAFT NO.

COMPARED

REGISTERED

APPROVED

£

The Purpose for which the Exchange applied for is wanted should be fully explained.

- A. Indebtedness covering imports of commodities.
- B. Corporate obligations; principal, interest or dividends due abroad.
- C. Bills representing money borrowed.
- D. Other purposes not mentioned above.

State on the reverse hereof under which of the above headings this application may be classified, and explain fully the nature of the transaction to be covered by the exchange.

STATE BELOW NATURE OF TRANSACTION TO BE COVERED BY EXCHANGE APPLIED FOR (SEE OVER)

CHECK TO BE DRAWN TO THE ORDER OF

DELIVERED OR FORWARDED

IF APPLICANT IS NOT LOCATED IN NEW YORK CITY, STATE NAME OF THE NEW YORK BANKING INSTITUTION THAT HAS BEEN INSTRUCTED TO MAKE PAYMENT FOR THIS EXCHANGE, IF ALLOTTED, AND TO WHOM NOTICE OF ACCEPTANCE OF APPLICATION MAY BE GIVEN

REMARKS

AUTHORIZED SIGNATURE OF APPLICANT

WILL BE ACCEPTED

SPACE BELOW RESERVED FOR USE OF GOLD FUND COMMITTEE

CLASSIFICATION

DISPOSITION

AMOUNT ALLOTTED

RATE

\$

CHECKED

DRAFT NO.

COMPARED

REGISTERED

APPROVED

WHEREAS, in the judgment of this conference the chaotic conditions in our international trade resulting from the sudden outbreak of European War have created an unprecedented national problem, to the solution of which there should be brought immediately the united strength of the government and of the entire banking system of the country; and

WHEREAS, it is of the very highest importance that the public and private credit of the people of the United States should be fully maintained, and, in order to maintain such credit it is imperative that the people of the United States should meet their public and private obligations abroad as they become due; therefore, be it

RESOLVED, that to the end that the resources of the United States may be made effective for the purpose of paying the foreign obligations of our citizens, the Secretary of the Treasury appoint a committee from the delegates to this meeting, which committee shall at once confer and report their recommendations to the Federal Reserve Board; and

RESOLVED, that if necessary, such committee shall arrange for the appointment of committees by the clearing houses of the various Reserve Cities of the United States to accomplish the objects stated in this resolution.

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RESOLVED, that if necessary, such committee shall arrange for the appointment of committees by the clearing houses of the various Reserve Cities of the United States to accomplish the objects stated in this resolution.

Woodward
✓ Arrange with the Treasury Department that we get first call on as many gold bars and as much newly minted gold coin as possible. Bars are preferable.

✓ Arrange, by cable, price of gold with Bank of England and negotiate arrangement that gold will be returned when exchange rates warrant.

✓ Arrange with the express companies for ^{car and} special rates, if possible, on shipments of gold to Ottawa.

The initial shipment to be for \$15,000,000 to \$20,000,000.

✓ Arrange, by cable, for the opening of accounts with a number of the leading London banks, possibly five, favoring those which have extensive dealings with America. The following seem desirable, in the order named:-

- ✓ London City & Midland Bank, Ltd.
- ✓ Lloyds Bank, Ltd.
- ✓ Parr's Bank, Ltd.
- ✓ Union of London & Smiths Bank, Ltd.
- ✓ London County & Westminster Bank, Ltd.
- ✓ National Provincial Bank, Ltd.
- ✓ Capital & Counties Bank, Ltd.
- ✓ London Joint Stock Bank, Ltd.

✓ Negotiate to obtain most favorable rate of interest on balances.

The accounts are to be opened under the following title:-

✓
"Albert H. Wiggin Francis L. Hine
William Woodward Benjamin Strong, Jr.
J. S. Alexander F. A. Vanderlip
 J. N. Wallace

as a Committee for certain banks in the United States, contributors to a gold fund."

✓ File specimen signatures of members of the Committee with the London banks with whom accounts are to be established, and arrange that checks are to be signed jointly by any two members of the Committee.

✓ Arrange for the protection of cable messages by test word or test number. This should be done immediately.

✓ Distribute proceeds of initial gold shipment amongst the several London accounts opened.

Draw up necessary forms, drafts, advices, record forms, etc. Arrange for suitable quarters in the New York Clearing House and for a clerical force and for the services of a competent Foreign Exchange man to carry out the instructions of the Committee and to supervise the keeping of all records.

The Committee should meet each day to receive applications for exchange. Each application should specify the need therefor, and the Committee should determine what applications should be granted and whether in full or in part. Exchange requirements may result from:-

principally

Maturity of indebtedness for commodities purchased abroad;
Maturing corporate obligations;
Maturing finance bills;
Money due for securities sold here on European account but not yet delivered;
Foreign balances in hands of United States banks and bankers.

Consideration should be given to the relative merits of these various classes of indebtedness. Whenever possible, maturing finance bills should be provided for by negotiating similar bills and other forms of indebtedness should be similarly provided for when possible, thereby making it necessary to provide payment only for such obligations as would not be renewed under normal conditions and for such amount of other obligations as cannot be renewed under present conditions, the purpose of this fund being to facilitate a return to normal conditions in the exchange market.

Proper forms should be prepared to be followed in applying for exchange either by mail or telegraph.

It might be well for the Committee to fix a maximum amount of exchange that should be sold in one week but possibly not advisable to announce the amounts so fixed. A limit of, say, \$1,000,000 might be fixed for the first week and a larger amount the second week, but it would probably not be advisable to sell in excess of \$2,000,000 in one week.

No single sale shall be for a smaller amount than \$1,000.

Rates at which exchange will be sold will be fixed daily, and should be current market rates or a fraction lower, say $\frac{1}{4}$ per Pound;

or

Bids will be received, but if, for moderate requirements, excessive rates are bid, the applications shall, if granted, be at current rates.

Payments for exchange shall be made before drafts are delivered or cables sent and shall be made by certified checks on New York banks.

All applications, whether granted or rejected, should be recorded and the record kept available for ready reference by any person entitled to such information.

The Committee reserves the right to reduce or reject any and all applications or bids.

Proceeds of sales should be deposited to the credit of the Committee with a New York bank, subject to interest at 2%. Repayments to contributing banks should be made at frequent intervals and as often as \$2,500,000 becomes available. The receipts issued to contributing banks are to be held by their New York correspondents, to whom repayments would be made, to be evidenced by endorsement on the original receipt.

Present rates of exchange are such that it would probably not be necessary to make gold transfers elsewhere than to London, unless a moderate amount was required in France.

The Committee will not purchase exchange, will not seek profits and its aim will be to influence the exchange market toward lower levels until normal rates are reached and maintained.

The Gold Fund Committee announces that it is now prepared to receive applications for checks on London, which must be made on forms which may be obtained on application at the office of the Committee in the New York Clearing House Building, or from any member of the Committee, as follows:

Albert H. Wiggin, Chairman,
William Woodward,
J. S. Alexander,
Francis L. Hine,
Benjamin Strong, Jr.,
Frank A. Vanderlip,
James N. Wallace.

Applications will be considered by the Committee daily, commencing Friday, October 2nd (Saturdays excepted) at an hour to be fixed by the Committee, which, until further notice, will be 3.30 P.M., and applications must be filed with the Committee not later than noon of the day on which they are to be considered.

The Committee will notify promptly its decision as to applications, with the rate to apply as to those favorably acted upon. Payments for amounts allotted must be made not later than 10:30 A.M. on the following day by certified checks drawn to the order of "Gold Fund Committee" on New York banking institutions, and failure to make such payment prior to that hour will be considered a rejection of the allotment.

A later announcement will be made when the Committee is prepared to sell cable transfers.

Washington, September 19, 1914.

To the HONORABLE THE SECRETARY OF THE TREASURY
and the
FEDERAL RESERVE BOARD.

Gentlemen:-

Referring to the recommendations contained in our communication of
September fourth:

We have, in compliance with your suggestion, given further consideration
to the present international exchange situation, taking into account the changed
conditions arising from the completion of plans for meeting the obligations of the
City of New York payable in Europe.

This Committee is of the opinion that the continuance of the high credit
of this country abroad will be demonstrated, and that normal conditions of the foreign
exchange market will best be re-established, by the prompt creation of a large gold
fund for export if necessary as suggested in our former report. We, therefore, re-
commend that the Central Reserve and Reserve City Banks of the United States (both
National and State institutions) be requested to contribute to a gold fund of
\$100,000,000 instead of \$150,000,000, as originally proposed. Of this amount,
\$25,000,000 should be made immediately available. The administration of the fund
should be conducted in the City of New York, by a resident committee, where the prin-
cipal foreign exchange transactions of the country take place, and we suggest that the
recommendation of the Clearing House Association of the City of New York for the appoint-
ment of the following gentlemen as such Committee be approved, namely:

Albert H. Wiggin, Chairman
William Woodward,
J. S. Alexander,
Francis L. Hine,
Benjamin Strong, Jr.
F. A. Vanderlip.

We propose to arrange the details of the plan of administration with the New York

Committee so that the requirements of all parts of the United States for foreign exchange will be fairly and impartially dealt with, and we suggest, in the event of any complaint on the part of any contributor to the fund in connection with the distribution or use thereof, your Board shall appoint a committee of bankers to pass upon any such question, whose decision, under such rules and regulations as you may prescribe, shall be final.

We further recommend that the National and State banking institutions in the Central Reserve and Reserve Cities of the United States be requested by you to contribute to this fund, due regard being given to their present holdings of gold as recently ascertained by your direction.

As recommended in our report of September fourth, we believe that a committee representing the Clearing House Association of each Central Reserve and Reserve City should apportion in its district the amounts and supervise the payments of gold or gold certificates for the creation of this fund; and we, therefore, suggest that you address a letter to the chairman of the Clearing House Committee in each of these cities recommending the appointment of such a committee, urging prompt cooperation in this plan and stating the amount of gold which you may consider to be the proper quota to be furnished by that city.

In order to facilitate the transfer of gold or gold certificates to New York by the contributing banks, it is recommended that they be permitted to deposit their contributions with the nearest Sub-Treasury of the United States, and that all expenses incident to transfers, whether made through Sub-Treasuries or otherwise, shall be an expense of the fund and shall not be borne by the respective contributors.

The Committee representing the New York Clearing House Association should have authority to call upon the contributors for gold or gold certificates from time to time in instalments as required (provided, that the contributors shall not be called upon to pay any portion of an instalment which may make their investment in the fund at any one time exceed twenty-five per cent. of their original contribution) to

arrange for shipments of gold to other countries, to sell exchange and cable transfers against such shipments at such prices as they may fix, to determine to whom and under what conditions foreign exchange may be sold, to distribute the proceeds of such sales among the contributing banks in New York funds, and to fix a date for the termination and final settlement of the fund. We, therefore, recommend that the gold or gold certificates be deposited in trust for the contributors in the vaults of the Clearing House Association of the City of New York, subject to the control of the New York Committee, and that such Committee issue to each contributing bank a certificate evidencing its contribution. The proceeds of sales of exchange may then be distributed by the Committee among the contributing banks in New York funds and the amount of such repayment endorsed upon each certificate.

We have recommended that contributors to the fund be confined to the banks and trust companies in the Central Reserve and Reserve Cities so that institutions which are members of the Federal Reserve System may make their payments at the time of the organization of the Federal Reserve Banks out of their own cash.

We attach forms of pledges to be signed by contributing institutions and certified resolutions to be passed by their Boards of Directors or Trustees. In case the plan should meet with your approval we respectfully suggest that you enclose copies of these forms in your letter to be addressed to the Presidents of the Clearing House Associations.

Respectfully submitted;

(Signed)JAS. B. FORGAN,...CHICAGO.....

"LEVI L. RUE, PHILADELPHIA.....

"BENJAMIN STRONG. JR. NEW YORK.

"THOMAS P. BEAL, BOSTON.....

"SOL WEXLER, NEW ORLEANS.....

Committee.

Banking institutions in Omaha.....	\$ 750,000
Pittsburgh.....	3,000,000
Portland, Ore	1,500,000
Pueblo.....	100,000
Richmond.....	750,000
Salt Lake City.....	250,000
San Antonio.....	150,000
San Francisco.....	3,500,000
Savannah.....	No returns.
Seattle.....	750,000
Sioux City.....	100,000
South Omaha.....	No returns.
Spokane.....	500,000
St. Joseph.....	150,000
St. Paul.....	1,000,000
Tacoma.....	250,000
Topeka.....	50,000
Waco.....	50,000
Washington, D.C.	No returns.
Wichita	50,000

These amounts (exclusive of cities from which no figures have been received and whose contributions, therefore, could not be estimated), if all contributed, would produce a fund of \$108,350,000, and we suggest that any amount pledged in excess of \$100,000,000 should be applied to a pro rata reduction of all contributions to the fund.

Respectfully submitted:

.....

Committee.

Washington, September 19, 1914.

To the HONORABLE THE SECRETARY OF THE TREASURY
and the
FEDERAL RESERVE BOARD.

Gentlemen:

Referring to our report of this date:

We have made the following calculations of contributions to a fund of \$100,000,000, based upon the figures submitted at our meeting today, and suggest that you adopt them in case you approve the plan and decide to carry it out:

Banking institutions in New York City.....	\$45,000,000
Chicago.....	16,000,000
Philadelphia.....	8,000,000
Boston.....	7,000,000
St. Louis.....	5,000,000
Albany.....	No returns.
Atlanta.....	500,000
Baltimore.....	1,000,000
Cedar Rapids.....	50,000
Cincinnati.....	1,500,000
Cleveland.....	1,750,000
Columbus.....	500,000
Dallas.....	500,000
Denver.....	1,000,000
Des Moines.....	200,000
Detroit.....	750,000
Dubuque.....	No returns.
Fort Worth.....	50,000
Galveston.....	100,000
Houston.....	500,000
Indianapolis.....	500,000
Kansas City, Mo.....	1,000,000
Kansas City, Kan.....	No returns.
Lincoln, Neb.....	50,000
Los Angeles.....	1,000,000
Louisville.....	500,000
Milwaukee.....	1,000,000
Minneapolis.....	1,250,000
Muskogee.....	50,000
New Orleans.....	600,000
Oklahoma City.....	100,000

....., Sept., 1914.

The undersigned Banks and Trust Companies hereby subscribe to a fund of One Hundred Million Dollars, to be payable in Gold or Gold Certificates, and to be held and administered in accordance with the terms of a report dated September 19, 1914, made by a Committee representing Central Reserve and Reserve City Banks of the United States, a copy of which report is attached hereto. The amount pledged for contribution by each of the undersigned institutions is set opposite the signature of a duly authorized officer thereof affixed hereto, and such pledge is made by authority of a resolution of the Board of Directors or Board of Trustees (or a duly authorized Committee thereof) of each of the undersigned.

<u>Name of Bank or Trust Company</u>	:	<u>Amount of Pledge</u>
.....	:
.....	:
.....	:
.....	:
.....	:
.....	:
.....	:
.....	:
.....	:
.....	:

.....Bank,, Sept..... 1914.

On motion, it was resolved that the President, Vice-President, Cashier or Treasurer, or any one of them, be, and he hereby is, authorized, in behalf of this bank (company) to subscribe Dollars, payable in gold or gold certificates, to a Gold Fund to be created and administered in accordance with the terms set forth in the report of the Committee, dated September 19, 1914, appointed by the delegates to the conference of Clearing House Associations of the Central Reserve and Reserve Cities held in Washington on September fourth, which Committee recommended that a gold fund of One Hundred Million Dollars be contributed by the banks (both National and State institutions) located in such cities, said report having been approved by the Federal Reserve Board as set forth in their letter of September , 1914.

I hereby certify that the above is a true extract of the minutes of a meeting of the Board of Directors or Trustees or of a duly authorized committee thereof of the held....., September, 1914.

.....
Secretary of the Board.

(Seal)

Washington, D. C.,

September , 1914.

Chairman of the Clearing House Association,

We enclose copies of reports of a Committee appointed by delegates from the Clearing House Associations of the Central reserve and Reserve cities to the Conference of September 4th, which recommend that a gold fund of one hundred million dollars be contributed by banks (both national and State institutions) located in such cities. The recommendations of this Committee meet with the unanimous approval of this Board, and we recommend that in accordance therewith, your Association appoint a committee to secure pledges for contribution of gold or gold certificates to the fund by the national and State institutions of your city, aggregating \$_____. We deem this amount the proper quota to be contributed by your city based upon the holdings of gold and gold certificates by the banks of the Central Reserve and Reserve cities, as recently reported to us.

The prompt payment of obligations payable in European countries by banks, corporations, firms and individuals of the United States, is essential to the maintenance of the credit of our country and the further development of our commerce. Such action will restore confidence and relieve the business community from the heavy burdens under which it now labors, in consequence of the prevailing high rates of exchange. The evidence of the ability and desire of American bankers to furnish the means of discharging the foreign debts of the merchants and manufacturers of the United States will reopen avenues of credit and facilitate the payment of this country's foreign indebtedness through the export of its products.

We would request that you secure the necessary pledges for contributions, accompanied in each case by a duly certified resolution of the board of directors or trustees on the forms enclosed, and return them to the Secretary of this Board so as to be in his hands not later than October 1st.

Respectfully,

Secretary.

Governor.

The following statement of Cash Reserves is based upon the report of the Comptroller
of the Currency, showing the condition of National Banks on December 3, 1907.

<u>Central Reserve Cities-</u>	<u>Cash Required</u>	<u>Cash On Hand</u>	<u>Excess</u>	<u>Deficit</u>	<u>Percentage Excess Cash</u>
New York City.	\$206,098,000	\$180,448,000	...	\$25,650,000	..
Chicago.....	56,591,000	54,792,000	....	1,797,000	..
St. Louis.....	26,774,000	21,826,000	...	4,948,000	..
	<u>\$289,463,000</u>	<u>\$257,066,000</u>	<u>...</u>	<u>\$32,397,000</u>	<u>..</u>

Reserve Cities-

Boston.....	\$20 974 000	\$17 468 000	...	\$ 3 506 000	..
Albany.....	3 058 000	2 000 000	...	1 058 000	..
Brooklyn.....	1 726 000	2 046 000	320 000	...	..
Philadelphia...	24 704 000	18 807 000	...	5 897 000	..
Pittsburg.....	18 056 000	17 030 000	...	1 026 000	..
Baltimore.....	6 025 000	5 579 000	...	446 000	..
Washington.....	2 703 000	4 785 000	2,082,000	...	77%
Savannah.....	170 000	261 000	91 000	...	..
New Orleans....	2 489 000	3 025 000	536 000	...	..
Louisville.....	2 408 000	2 468 000	60 000	...	..
Dallas.....	1 499 000	1 683 000	184 000	...	..
Fort Worth.....	965 000	1 162 000	197 000	...	..
Galveston.....	231 000	486 000	255 000	...	110.3
Houston.....	1 464 000	2 077 000	613 000	...	..
San Antonio....	907 000	1 957 000	1 050 000	...	115.7
Waco.....	383 000	655 000	272 000	...	..
Cincinnati.....	6 141 000	6 046 000	...	95 000	..
Cleveland.....	5 718 000	5 156 000	...	562 000	..
Columbus.....	2 332 000	2 508 000	176 000	...	..
Indianapolis...	3 072 000	5 118 000	2 046 000	...	66.6
Detroit.....	2 957 000	2 471 000	...	486 000	..
Milwaukee.....	4 512 000	4 264 000	...	248 000	..
Cedar Rapids...	697 000	535 000	...	162 000	..
Des Moines.....	1 296 000	1 162 000	...	134 000	..
Dubuque.....	325 000	323 000	...	2 000	..
Minneapolis....	5 468 000	6 092 000	624 000	...	..
St. Paul.....	3 726 000	4 648 000	922 000	...	..
Kansas City, Kan.	1 044 000	1 033 000	...	11 000	..
Wichita.....	518 000	633 000	115 000	...	..
Kansas City, Mo.	4 990 000	3 799 000	...	1,191 000	..
St. Joseph.....	1 199 000	1 071 000	...	128 000	..
Lincoln.....	703 000	832 000	129 000	...	..
Omaha.....	4 086 000	6 934 000	2 848 000	...	69.7
Denver.....	5 061 000	7 520 000	2 459 000	...	48.5
Pueblo.....	1 019 000	1 127 000	108 000	...	..
Salt Lake City..	1 209 000	1 818 000	609 000	...	..
Los Angeles....	4 051 000	6 473 000	2 422 000	...	59.7
San Francisco..	5 118 000	9 600 000	4 482 000	...	87.7
Portland.....	1 979 000	4 306 000	2 327 000	...	117.5
Seattle.....	2 893 000	4 090 000	1 197 000	...	..
	<u>\$157 876 000</u>	<u>\$169 048 000</u>	<u>\$26 124 000</u>	<u>\$14 952 000</u>	<u>..</u>

<u>Country Banks-</u>	<u>Cash Required</u>	<u>Cash On Hand</u>	<u>Excess</u>	<u>Deficit</u>	<u>Percentage Excess Cash</u>
Maine.....	\$1 876 000	\$2 800 000	\$ 924 000	...	49.2
New Hampshire..	1 111 000	1 908 000	797 000	...	71.7
Vermont.....	916 000	1 499 000	583 000	...	63.6
Massachusetts..	6 748 000	10 707 000	3 959 000	...	58.6
Rhode Island...	1 230 000	1 946 000	716 000	...	58.2
Connecticut....	3 123 000	5 697 000	2 574 000	...	82.4
	<u>\$15 004 000</u>	<u>\$24 557 000</u>	<u>\$9 553 000</u>	<u>...</u>	
New York.....	14 066 000	20 424 000	6 358 000	...	45.2
New Jersey.....	7 720 000	10 666 000	2 946 000	...	38.1
Pennsylvania...	20 253 000	32 796 000	12 543 000	...	61.9
Delaware.....	553 000	1 057 000	504 000	...	91.1
Maryland.....	1 650 000	2 393 000	743 000	...	45.
Dist. of Columbia	64 000	196 000	132 000	...	206.2
	<u>44 306 000</u>	<u>67 532 000</u>	<u>23 226 000</u>	<u>...</u>	
Virginia.....	3 536 000	5 832 000	2 296 000	...	65.
West Virginia..	1 996 000	3 551 000	1 555 000	...	77.9
North Carolina.	1 113 000	2 418 000	1 305 000	...	117.2
South Carolina..	714 000	1 444 000	730 000	...	102.2
Georgia.....	1 592 000	4 581 000	2 989 000	...	187.7
Florida.....	1 007 000	1 836 000	829 000	...	82.3
Alabama.....	1 442 000	3 879 000	2 437 000	...	169.
Mississippi....	619 000	1 240 000	620 000	...	103.2
Louisiana.....	765 000	1 212 000	447 000	...	58.4
Texas.....	5 100 000	12 518 000	7 418 000	...	145.4
Arkansas.....	684 000	1 456 000	772 000	...	112.8
Kentucky.....	1 885 000	3 440 000	1 555 000	...	82.4
Tennessee.....	2 414 000	4 734 000	2 320 000	...	96.1
	<u>22 858 000</u>	<u>48 141 000</u>	<u>25 283 000</u>	<u>...</u>	
Ohio.....	9 096 000	14 704 000	5 608 000	...	61.6
Indiana.....	5 246 000	10 574 000	5 328 000	...	101.5
Illinois.....	8 925 000	15 854 000	6 929 000	...	77.6
Michigan.....	4 020 000	6 418 000	2 398 000	...	59.6
Wisconsin.....	4 243 000	6 046 000	1 803 000	...	42.4
Minnesota.....	3 726 000	6 394 000	2 668 000	...	71.6
Iowa.....	5 469 000	7 795 000	2 326 000	...	42.5
Missouri.....	1 464 000	2 786 000	1 322 000	...	90.3
	<u>42 189 000</u>	<u>70 571 000</u>	<u>28 382 000</u>	<u>...</u>	
North Dakota...	1 402 000	2 332 000	930 000	...	66.3
South Dakota...	1 298 000	2 396 000	1 098 000	...	84.5
Nebraska.....	2 806 000	4 545 000	1 739 000	...	61.9
Kansas.....	3 230 000	6 087 000	2 757 000	...	88.0
Montana.....	1 718 000	3 752 000	2 034 000	...	118.3
Wyoming.....	705 000	1 631 000	926 000	...	131.5
Colorado.....	2 102 000	5 568 000	3 466 000	...	164.8
New Mexico.....	627 000	1 344 000	717 000	...	114.3
Oklahoma.....	2 245 000	5 150 000	2 907 000	...	129.6
	<u>16 151 000</u>	<u>32 705 000</u>	<u>16 674 000</u>	<u>...</u>	
Washington.....	2 321 000	5 348 000	3 027 000	...	130.4
Oregon.....	1 035 000	2 674 000	1 639 000	...	159.9
California.....	3 511 000	7 876 000	4 365 000	...	124.3
Idaho.....	661 000	1 360 000	699 000	...	105.7
Utah.....	348 000	581 000	233 000	...	66.9
Nevada.....	272 000	704 000	432 000	...	158.8
Arizona.....	321 000	748 000	427 000	...	133.
Alaska.....	80 000	65 000	...	15 000	..
	<u>8 549 000</u>	<u>19 356 000</u>	<u>10 822 000</u>	<u>15 000</u>	
	<u>\$149 037 000</u>	<u>\$262 962 000</u>	<u>\$113 940 000</u>	<u>\$15 000</u>	76.

September 24, 1914.

Hon. W. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

My dear Mr. Secretary,

The enclosed statement will be illustrative of the criticism which you made to me by telephone yesterday of the attitude of certain banks in regard to their reserves, and will give in condensed form a concrete illustration of the facts upon which your statement of yesterday seems to have been based.

The enclosed figures were compiled in our office last December, in connection with certain information we were asked to prepare bearing on the new Federal Reserve Bank system.

We have first figured the exact amount of cash reserves that Central Reserve city, Reserve city, and country banks (by States) were required to keep in their own vaults in order to comply with the reserve law, based upon the amount of deposits reported as of December 3rd, 1907. In the next column we showed the actual amount of cash reserve held by the banks in their own vaults. The results show that, while the banks in the three central reserve cities were \$32,397,000. deficient in their reserves, the banks in the reserve cities were over \$11,000,000. in excess of their reserves and the country banks held \$113,840,000. in excess of legal reserve requirements, being no less than 76% in excess of what the law required them to hold. These country banks could have carried an average excess reserve over their legal requirements of 54%, and the balance divided among the three central reserve cities would have made up the entire deficit of \$32,000,000. ✓

This is the primary cause of high money rates in the banking centres.

Boston is charging 7-3/10% interest on Clearing House loan certificates; Chicago, I believe, 7%; New York 6%. I doubt if any New York institution is charging more than 6% to any of its regular customers on either call or time loans, notwithstanding that 6% involves a loss to such of the New York banks charging this rate as are obliged to use Clearing House loan certificates to settle their debit balances.


It is a fact, however, that some of the banks are charging as high as 8% on stock exchange collateral loans. This policy has created an incentive for brokers to strengthen their position by calling upon their customers for cash payments, which could not have been created by any other method. So far as I can discover the policy is not a uniform one, nor do I know of complaint being made by the brokerage houses that the rates charged them are too high. They, of course, are able to recoup themselves by charging a corresponding rate to their customers.

This matter of interest rates is, of course, one of policy which seems to be open to argument on both sides. I feel certain, however, that the New York banks as a rule have not taken unfair advantage of their customers, and that the consensus of opinion among the stock exchange houses, who are the ones that are paying the high rates, is one of grateful appreciation to the banks for their efforts to save them from what might have proved to be a real disaster.

I am prompted to send this letter by the terms of your statement in the morning papers, which appeals to me very strongly.

Yours very truly,

WESTERN UNION



TELEGRAM

Form 260

RGE 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

November 9, 1914.

N I G H T L E T T E R

Hon. W. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

After full discussion with Wiggin believe considerable risk that New York subscribers
to cotton loan fund may attempt in some cases to withdraw from present obligation
if effort is made to increase amount. This may not be true a little later, but
am reluctantly obliged to recommend following Wiggin's advice that nothing be
done just now to obtain additional commitment. *Love* He is willing to make another

ALL TELEGRAMS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING

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

1. The Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any UNREPEATED telegram amount received for sending the same; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any REPEATED telegram, beyond the sum received for sending the same, *unless specially valued*; nor in any case for delays arising from unavoidable interruption in the working of its lines, *errors in cipher or obscure telegrams*.
2. In any event the Company shall not be liable for damages for any mistakes or delays in the transmission or delivery, or for the non-delivery, of the telegram, whether caused by the negligence of its servants or otherwise, beyond the sum of FIFTY DOLLARS, at which amount this telegram is hereby valued, a greater value is stated in writing hereon at the time the telegram is offered to the Company for transmission, and an additional sum paid or agreed to be paid on such value equal to one-tenth of one per cent. thereof.
3. The Company is hereby made the agent of the sender, without liability, to forward this telegram over the lines of any other Company when necessary reach its destination.
4. Telegrams will be delivered free within one-half mile of the Company's office in towns of 5,000 population or less, and within one mile of such office in other cities or towns. Beyond these limits the Company does not undertake to make delivery, but will, without liability, at the sender's request, as his agent and at his expense, endeavor to contract for him for such delivery at a reasonable price.
5. No responsibility attaches to this Company concerning telegrams until the same are accepted at one of its transmitting offices; and if a telegram is sent to such office by one of the Company's messengers, he acts for that purpose as the agent of the sender.
6. The Company will not be liable for damages or statutory penalties in any case where the claim is not presented in writing within sixty days after the telegram is filed with the Company for transmission.
7. No employee of the Company is authorized to vary the foregoing.

THE WESTERN UNION TELEGRAPH COMPANY
INCORPORATED
NEWCOMB CARLTON, PRESIDENT

CLASSES OF SERVICE

TELEGRAMS

A full-rate expedited service.

NIGHT TELEGRAMS

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

DAY LETTERS

A deferred day service at rates lower than the standard telegram rates as follows: One and one-half times the standard night letter rate for the transmission of 50 words or less and one-fifth of the initial rate for each additional 10 words or less. Subordinate to the priority of transmission and delivery of regular telegrams. Must be written in plain English. Code language not permissible.

Telephonic delivery permissible. Day Letters received subject to express understanding that the Company only undertakes delivery of the same on the day of their date subject to condition that sufficient time remains for such transmission and delivery during regular office hours, subject to priority of the transmission of regular telegram.

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WESTERN UNION



TELEGRAM

Form 260

241

GEORGE W. E. ATKINS, VICE-PRESIDENT

NEWCOMB CARLTON, PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

RECEIVER'S No.	TIME FILED	CHECK
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SEND the following Telegram, subject to the terms
on back hereof, which are hereby agreed to

November 4, 1914.

Hon. W. G. McAdoo,
Washington, D. C.

Would appreciate telegraphic advice today if possible of total amount
now pledged for cotton loan fund. At meeting of New York bankers
tonight will discuss this matter.

Benjamin Strong, Jr.

Charge Federal Reserve Bank)

ALL TELEGRAMS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERM

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

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

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

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

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INCORPORATED

NEWCOMB CARLTON, PRESIDENT

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WESTERN UNION



TELEGRAM

Form 260

GEORGE W. E. ATKINS, VICE-PRESIDENT

NEWCOMB CARLTON, PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

RECEIVER'S No.	TIME FILED	CHECK
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SEND the following Telegram, subject to the terms
on back hereof, which are hereby agreed to

-2-

effort later this week having already done so with some of the large institutions
without success last week. He and I both appreciate desirability of carrying out
your suggestion and his reluctance to make another effort is entirely due to his
fear of the consequences.

Benjamin Strong, Jr.

(Charge Federal Reserve Bank)
Government rate

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November 5, 1914.

Hon. W. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

Dear Mr. Secretary,

Your two telegrams in regard to the cotton fund were duly received and answered by telephone this morning. If the matter is allowed to rest for a few days I think it would be quite possible to take it up again here, particularly if further considerable responses are received from the other cities.

Very truly yours,

S-W.

Mr. Strong:

On reprint the form of subscription will carry lines all the way to the bottom of the page and will be closed in at the top. Our instructions were not followed.

WTC

-----, September -----, 1914.

The undersigned banks and trust companies hereby subscribe to a fund of \$100,000,000, to be payable in gold or gold certificates, and to be held and administered in accordance with the terms of a report dated September 19, 1914, made by a committee representing central reserve and reserve city banks of the United States, a copy of which report is attached hereto. The amount pledged for contribution by each of the undersigned institutions is set opposite the signature of a duly authorized officer thereof affixed hereto, and such pledge is made by authority of a resolution of the board of directors or board of trustees (or a duly authorized committee thereof) of each of the undersigned.

Name of bank or trust company.	Amount of pledge.
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Form 25.

-----, September -----, 1914.

The undersigned banks and trust companies hereby subscribe to a fund of \$100,000,000, to be payable in gold or gold certificates, and to be held and administered in accordance with the terms of a report dated September 19, 1914, made by a committee representing central reserve and reserve city banks of the United States, a copy of which report is attached hereto. The amount pledged for contribution by each of the undersigned institutions is set opposite the signature of a duly authorized officer thereof affixed hereto, and such pledge is made by authority of a resolution of the board of directors or board of trustees (or a duly authorized committee thereof) of each of the undersigned.

Name of bank or trust company.	Amount of pledge.
.....
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WASHINGTON, *September 19, 1914.*

To the honorable the SECRETARY OF THE TREASURY and the FEDERAL RESERVE BOARD.

GENTLEMEN: Referring to the recommendations contained in our communication of September 4:

We have, in compliance with your suggestion, given further consideration to the present international exchange situation, taking into account the changed conditions arising from the completion of plans for meeting the obligations of the city of New York payable in Europe.

This committee is of the opinion that the continuance of the high credit of this country abroad will be demonstrated, and that normal conditions of the foreign exchange market will best be reestablished by the prompt creation of a large gold fund for export if necessary, as suggested in our former report. We therefore recommend that the central reserve and reserve city banks of the United States (both National and State institutions) be requested to contribute to a gold fund of \$100,000,000 instead of \$150,000,000, as originally proposed. Of this amount, \$25,000,000 should be made immediately available. The administration of the fund should be conducted in the city of New York by a resident committee, where the principal foreign exchange transactions of the country take place, and we suggest that the recommendation of the Clearing House Association of the City of New York for the appointment of the following gentlemen as such committee be approved, namely:

Albert H. Wiggin, chairman.

William Woodward.

J. S. Alexander.

Francis L. Hine.

Benjamin Strong, jr.

F. A. Vanderlip.

We propose to arrange the details of the plan of administration with the New York committee so that the requirements of all parts of the United States for foreign exchange will be fairly and impartially dealt with, and we suggest, in the event of any complaint on the part of any contributor to the fund in connection with the distribution or use thereof, your board shall appoint a committee of bankers to pass upon any such question, whose decision, under such rules and regulations as you may prescribe, shall be final.

We further recommend that the National and State banking institutions in the central reserve and reserve cities of the United States be requested by you to contribute to this fund, due regard being given to their present holdings of gold as recently ascertained by your direction.

As recommended in our report of September 4, we believe that a committee representing the clearing-house association of each central reserve and reserve city should apportion the amounts and supervise the payments of gold or gold certificates for the creation of this fund, and we therefore suggest that you address a letter to the chairman of the clearing-house committee in

in its district

each of those cities recommending the appointment of such a committee, urging prompt cooperation in this plan and stating the amount of gold which you may consider to be the proper quota to be furnished by that city.

In order to facilitate the transfer of gold or gold certificates to New York by the contributing banks, it is recommended that they be permitted to deposit their contributions with the nearest subtreasury of the United States, and that all expenses incident to transfers, whether made through subtreasuries or otherwise, shall be an expense of the fund and shall not be borne by the respective contributors.

The committee representing the New York Clearing House Association should have authority to call upon the contributors for gold or gold certificates from time to time in instalments as required (provided, that the contributors shall not be called upon to pay any portion of an instalment which may make their investment in the fund at any one time exceed 25 per cent of their original contribution), to arrange for shipments of gold to other countries, to sell exchange and cable transfers against such shipments at such prices as they may fix, to determine to whom and under what conditions foreign exchange may be sold, to distribute the proceeds of such sales among the contributing banks in New York funds, and to fix a date for the termination and final settlement of the fund. We, therefore, recommend that the gold or gold certificates be deposited in trust for the contributors in the vaults of the Clearing House Association of the City of New York, subject to the control of the New York committee, and that such committee issue to each contributing bank a certificate evidencing its contribution. The proceeds of sales of exchange may then be distributed by the committee among the contributing banks in New York funds and the amount of such repayment indorsed upon each certificate.

We have recommended that contributors to the fund be confined to the banks ^{and trust companies} in the central reserve and reserve cities, so that ^{institutions} banks which are members of the Federal reserve system may make their payments at the time of the organization of the Federal reserve banks out of their own cash.

Respectfully submitted.

(Signed)

JAS. B. FORGAN, *Chicago*,
LEVI L. RUE, *Philadelphia*,
BENJAMIN STRONG, Jr., *New York*,
THOMAS P. BEAL, *Boston*,
SOL WEXLER, *New Orleans*,

Committee.

Rider A

Rider A

We attach forms for pledges to be signed by contributing institutions and certified resolutions to be passed by their boards of directors or trustees. In case the plan should meet with your approval, we respectfully suggest that you inclose copies of these forms in your letter to be addressed to the presidents of the clearing house associations.



6728

Proof of October 2, 1914.

GOLD FUND

REPORT AND PLAN

AND

APPROVAL THEREOF

FORM OF CERTIFICATE ISSUED BY COMMITTEE

REPORT AND PLAN

WASHINGTON, September 19, 1914.

To the honorable the

Secretary of the Treasury and the Federal Reserve Board.

GENTLEMEN:

Referring to the recommendations contained in our communication of September 4:

We have, in compliance with your suggestion, given further consideration to the present international exchange situation, taking into account the changed conditions arising from the completion of plans for meeting the obligations of the city of New York payable in Europe.

This committee is of the opinion that the continuance of the high credit of this country abroad will be demonstrated, and that normal conditions of the foreign exchange market will best be reestablished by the prompt creation of a large gold fund for export if necessary, as suggested in our former report. We therefore recommend that the central reserve and reserve city banks of the United States (both National and State institutions) be requested to contribute to a gold fund of \$100,000,000 instead of \$150,000,000, as originally proposed. Of this amount, \$25,000,000 should be made immediately available. The administration of the fund should be conducted by a resident committee in the city of New York, where the principal foreign exchange transactions of the country take place, and we suggest that the recommendation of the Clearing House Association of the City of New York for the appointment of the following gentlemen as such committee be approved, namely:

Albert H. Wiggin, chairman,
William Woodward.
J. S. Alexander.
Francis L. Hine.
Benjamin Strong, jr.
F. A. Vanderlip.

We propose to arrange the details of the plan of administration with the New York committee so that the requirements of all parts of the United States for foreign exchange will be fairly and impartially dealt with, and we suggest, in the event of any complaint on the part of any contributor to the fund in connection with the distribution or use thereof, your board shall appoint a committee of bankers to pass upon any such question, whose decision, under such rules and regulations as you may prescribe, shall be final.

We further recommend that the National and State banking institutions in the central reserve and reserve cities of the United States be requested by you to contribute to this fund, due regard being given to their present holdings of gold as recently ascertained by your direction.

As recommended in our report of September 4, we believe that a committee representing the clearing house association of each central reserve and reserve city should apportion in its district the amounts and supervise the payments of gold or gold certificates for the creation of this fund, and we therefore suggest that

you address a letter to the chairman of the clearing-house committee in each of those cities recommending the appointment of such a committee, urging prompt cooperation in this plan and stating the amount of gold which you may consider to be the proper quota to be furnished by that city.

In order to facilitate the transfer of gold or gold certificates to New York by the contributing banks, it is recommended that they be permitted to deposit their contributions with the nearest subtreasury of the United States, and that all expenses incident to transfers, whether made through subtreasuries or otherwise, shall be an expense of the fund and shall not be borne by the respective contributors.

The committee representing the New York Clearing House Association should have authority to call upon the contributors for gold or gold certificates from time to time in instalments as required (provided, that the contributors shall not be called upon to pay any portion of an instalment which may make their investment in the fund at any one time exceed 25 per cent. of their original contribution), to arrange for shipments of gold to other countries, to sell exchange and cable transfers against such shipments at such prices as they may fix, to determine to whom and under what conditions foreign exchange may be sold, to distribute the proceeds of such sales among the contributing banks in New York funds, and to fix a date for the termination and final settlement of the fund. We, therefore, recommend that the gold or gold certificates be deposited in trust for the contributors in the vaults of the Clearing House Association of the City of New York, subject to the control of the New York Committee, and that such committee issue to each contributing bank a certificate evidencing its contribution. The proceeds of sales of exchange may then be distributed by the committee among the contributing banks in New York funds and the amount of such repayment indorsed upon each certificate.

We have recommended that contributors to the fund be confined to the banks and trust companies in the central reserve and reserve cities, so that banks which are members of the Federal reserve system may make their payments at the time of the organization of the Federal reserve banks out of their own cash.

We attach forms for pledges to be signed by contributing institutions and certified resolutions to be passed by their boards of directors or trustees. In case the plan should meet with your approval, we respectfully suggest that you inclose copies of these forms in your letter to be addressed to the presidents of the clearing-house associations.

Respectfully submitted.

(Signed) JAS. B. FORGAN, *Chicago*,
LEVI L. RUE, *Philadelphia*,
BENJAMIN STRONG, Jr., *New York*,
THOMAS P. BEAL, *Boston*,
SOL WEXLER, *New Orleans*,
Committee.

APPROVAL

FEDERAL RESERVE BOARD

The President Clearing House Association,

At the invitation of the Secretary of the Treasury and the Federal Reserve Board, a conference of delegates from clearing house associations was held at the Treasury Department in Washington on September 4 for the purpose of considering problems growing out of the extraordinary derangement of our foreign exchange markets following the outbreak of the European war. This conference, after a day's deliberation, appointed a bankers' committee charged with the duty of recommending to the board a plan for dealing with this situation. The committee so named submitted on September 4 its first report, which advised the creation of a gold fund of \$150,000,000. This recommendation, owing to changes in the situation, was modified in a subsequent report, dated September 19, favoring the creation of a gold fund of \$100,000,000 to be contributed by the banks and trust companies located in central reserve and reserve cities.

The board has carefully considered the committee's report, and concurs in its conclusions and recommendations. The board is convinced of the necessity of an adequate plan of national cooperation to meet a situation which is of national dimensions, and it has no hesitation, therefore, in giving its approval to the plan proposed by the committee, and recommends your earnest cooperation.

The board shares the committee's belief that the creation of a large gold fund at this juncture will have a far-reaching effect for good, and will prove an effective factor in restoring confidence, in bringing relief, in protecting and strengthening the country's credit, and in facilitating the exportation of our products.

The board, therefore, recommends that your association appoint a committee to secure from the national banks and State banking institutions of your city subscriptions aggregating \$_____ to the proposed gold fund. The board regards this amount as the fair quota to be raised in your city, based upon the holdings of gold and gold certificates by the central reserve and reserve cities as recently ascertained. The allotments provide a fair margin above the total amount named. Any sums pledged in excess of \$100,000,000 will be applied to a pro rata reduction of all subscriptions to the fund.

Forms of subscriptions and certified resolutions to be executed by participating institutions have been prepared by the bankers' committee and are forwarded herewith. This board recommends that the sums specified be pledged as promptly as possible, and that you send the pledges and resolutions, duly executed, to the secretary of the Federal Reserve Board at Washington, D. C., in order that they may be available for the committee not later than October 1.

For the terms and conditions upon which the subscriptions to the proposed gold fund are made your attention is particularly called to the report and plan signed by the bankers' committee and handed to you herewith.

Respectfully,

C. S. HAMLIN,

Governor Federal Reserve Board.

I am in accord with the views of the Federal Reserve Board and recommend the adoption by the banks of the proposed plan.

W. G. MCADOO,

Secretary of the Treasury.

WASHINGTON, D. C., September 21, 1914.

FORM OF CERTIFICATE ISSUED BY COMMITTEE

\$ _____

ORIGINAL SUBSCRIPTION CONTRIBUTION

*Instalment paid on issue
of this Certificate*

No. _____

\$ _____

Certificate of Contribution and of Payment of Initial Instalment

GOLD FUND

Contributed pursuant to Report and Plan set forth in the letter of September 19, 1914, addressed to the Secretary of the Treasury and the Federal Reserve Board by a Committee, consisting of James B. Forgan, Chairman, and others, and approved in the answer of September 21, 1914, to said letter, made by said Federal Reserve Board and approved by said Secretary.

The undersigned Gold Fund Committee named in and appointed pursuant to the Report and Plan above named, hereby certify that

has subscribed for an Original Contribution to the Gold Fund provided for in said Report and Plan, in the amount of \$ _____, and has paid to the undersigned Committee on account of such Original Contribution, an initial instalment of \$ _____. Payments of further instalments towards said Contribution shall be evidenced by endorsement thereof hereon by the undersigned Committee, or their duly authorized agents. All such payments are received, and are to be administered and disposed of, as a part of said Gold Fund, subject to the terms and conditions of said Report and Plan, and subject solely to the directions of the Gold Fund Committee, as it may be constituted from time to time.

The holder hereof by acceptance of this Certificate agrees to all the terms and conditions of said Report and Plan and of this Certificate. This Certificate is valid only when signed by two members of the Gold Fund Committee. Any repayments from the Gold Fund on account of said contribution shall be made only for the account of the holder hereof, as registered on the books of the undersigned, upon presentation of this Certificate at the office of said Committee, No. 77 Cedar Street, New York City, or of its authorized agents at places within the United States of America, as may be designated by it, for endorsement of any such repayment hereon. No final repayment on account of said Contribution will be made except upon surrender hereof for cancellation.

Dated, New York City, _____ 191 .

ALBERT H. WIGGIN, *Chairman*;
WILLIAM WOODWARD,
JAMES S. ALEXANDER,
FRANCIS L. HINE,
BENJAMIN STRONG, Jr.,
FRANK A. VANDERLIP,
JAMES N. WALLACE.

Gold Fund Committee.

By _____

Two members of such Committee.

THE EVENING POST JOB PRINTING OFFICE
155 FULTON STREET, NEW YORK
6723 P

Cotton

November 10, 1914.

Hon. W. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

Dear Mr. Secretary,

Your favors of the 6th and 7th were received yesterday, and as advised by wire, as per confirmation enclosed, I took the matter up at once with Mr. Wiggin, hoping to effect an arrangement with him by which the New York subscribers might be again approached at once to increase the amount of their subscriptions to the cotton loan fund. He informed me that he had already sounded five of the largest subscribers and was reluctantly compelled to discontinue his efforts along that line, fearing that some of them would make an effort to withdraw from their present commitment. He has indicated, however, that after the lapse of a few days he will take it up with them again, and endeavor to secure such assurances from them as will facilitate the completion of the fund without further delay.

I feel very confident that he is heartily in sympathy with your efforts, and will do everything in his power to further them. Later to-day I hope to telephone you again on this matter, after sounding the officers of some of the other banks.

The situation in Boston seems to be particularly unfortunate, so far as I can gather from reports received here. There still seems to be some doubt in their minds as to the legality of the operation, concerning which,

Hon. W. C. McAdoo.

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of course, there should be no doubt whatever.

Yours very truly,

S-W.

286
November 20, 1914.

Person File
H-1
Hon. W. G. Baidoo,
Secretary of the Treasury,
Washington, D. C.

Dear Mr. Secretary,

Since our recent conferences with Sir George Paish and Daniel P. Blackett, Esq., one member of our committee, Mr. James Brown, has left for Europe.

You doubtless appreciate, as we do quite strongly, that conditions have materially changed since the date when these discussions commenced. Money rates are easier, sterling exchange has declined to a point where it is no longer profitable to export gold, and the market for investment securities has broadened at higher prices.

Our discussions with Sir George Paish and Mr. Blackett resulted in outlining a tentative plan which was discussed as of possible mutual advantage in case it was decided to re-open the London and New York Stock Exchanges for unrestricted trading, and to meet such possible condition as might result in that connection.

So far as we are now advised there is no present intention of opening either of the exchanges to unlimited trading, and we assume that on this account a prompter response to the suggestion has been found impossible.

In view of these facts, would it not be advisable, without breaking the negotiations, to postpone a further discussion for the time being? Conditions will doubtless later enable either interest

Hon. W. G. McAdoo.

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to determine whether ^{at} and what time negotiations may be resumed to
mutual advantage. ^

Respectfully yours,

BSJr./BW-8

71
August 2nd, 1915.

My dear Secretary McAdoo:

The memorandum enclosed herein was started shortly after I last saw you in Washington, and would have been sent you some time ago had it not been that both of the matters covered by the enclosed letter were being actively discussed by the Directors of this bank and I wanted to consult the Board on the subject before sending it. It now takes the form of a letter addressed to you by a Committee of the Board ^{of Directors of Fed. Reserve Bank} and I regret that it is so long.

The present sense of financial security which prevails in the country is undoubtedly due to a large degree to the existence of the Federal Reserve System. It would be a sad shock to this country if we should, notwithstanding our best efforts to avoid it, be drawn into the war, and it be found that we were not fully prepared at all points to meet the situation.

It seems to me the Federal Reserve System is somewhat in the position of the British fleet; it is not fighting great battles and doing spectacular things, but the fleet is there just the same, and its mere existence enables the British commerce to continue. So it is with our System. Business is proceeding as normal in this country, as the country generally has confidence in our preparedness for any eventuality. The question is, are we fully prepared?

August 2, 1915.

I hope you are having a thorough rest and appreciate
how much you need and deserve it.

With kindest regards, believe me,

Sincerely yours,

Governor.

Honorable William G. McAdoo,
Secretary of the Treasury,
North Haven, Maine.

BS Jr/VCM-3

PERSONAL.

August 25th, 1915.

My dear Mr. Secretary:

Referring to my separate letter of this date in regard to the acceptance regulation, I think I should advise you that the Board of Directors of this Bank has given instructions that the advice of competent counsel should be obtained as to whether transactions in bankers acceptances, some part of the proceeds of which may be applied to the purchase of munitions of war and other contraband articles in this country, might, through the banks, involve the government in any violation of neutrality. The question is presented in two forms:

First: When such transactions are conducted solely by the national banks,

Second: When the acceptances resulting from such transactions are purchased by the Federal reserve banks or rediscounted with the Federal reserve banks by member banks.

Permit me to suggest the desirability at this time of our having from the proper officers of the government such advice or information on this subject as will enable both the Federal Reserve Board and the Federal reserve banks to govern their procedure in accordance with the wishes of the administration.

Aug. 25, 1915.

Hon. William G. McAdoo.

As stated to you last Friday, the same question arises with regard to loans which may be negotiated in this country by belligerent foreign governments, notwithstanding that the proceeds of such loans may be used, or, in fact, specifically appropriated for making payment for articles of export. Since our meeting, I have studied Secretary Bryan's letter of January 20th and feel convinced that it should not be made to apply to transactions undertaken at this time under present conditions. This view is strengthened by reading Secretary Lansing's letter of August 12th addressed to the Government of Austria-Hungary, in which the sale of munitions of war to belligerents is described as "legitimate trade".

I had hoped to write you fully on this matter to-day, but find it impossible to do so until the latter part of the week.

With cordial regards, I beg to remain,

Very truly yours,

Governor.

Hon. William G. McAdoo,
North Haven, Maine.

BS Jr/VCM-8

PERSONAL

August 25th, 1915.

My dear Mr. Secretary:

Our conference of last Friday seemed to develop that we held substantially the same views in regard to certain features of our foreign commerce and the foreign exchanges which are now developing. These were

First: That our export trade balance has now reached the point where it may exhaust the ability of our foreign customers to make prompt settlement unless special facilities for doing so can be promptly developed.

Second: Failure to develop such facilities might result in a considerable curtailment of our exports, and,

Third: That it might possibly develop that the surviving export trade would be confined to those necessary articles of commerce so urgently required abroad that their purchase would be continued to the exclusion of other commodities which form a large part of our normal export trade.

I think we were also, in agreement that gold payment would be unnecessary and possibly unsound, as tending to expand our own situation at home and likewise to curtail the buying power of our

Aug. 25, 1915.

To Hon. William G. McAdoo.

foreign customers. To meet the situation in part, it was suggested that the existing regulation of the Reserve Board governing acceptances should be somewhat modified so as to remove certain restrictions that are now imposed upon that business and develop greater freedom in the arranging of commercial credits between the banks of this country and Europe. To put this suggestion in concrete shape, Mr. Curtis and I have re-drawn Regulation J, now in force, and I beg to enclose two copies of the same herein. This is respectfully submitted for your consideration.

Very truly yours,

Governor.

Hon. William G. McAdoo,

No rth Haven, Maine.

BS Jr/VCM-6

PERSONAL.

August 28th, 1915.

My dear Mr. McAdoo:

You doubtless noticed by the daily papers that a Committee of English and French bankers, and possibly some government officials is planning to visit this country in the near future with a view to discussing the foreign exchange situation. So far as I am aware, this visit is a purely voluntary one. It will, however, raise the question in regard to foreign loans in a most important way.

I am writing to inquire whether it may not be well to have a letter addressed to you making inquiry as to whether our government sees any objection to the arrangement of a large credit in this country for the purpose of enabling payment to be made for our exports. The question has not yet been pressed, nor need it be at the moment, but this letter is simply a preliminary inquiry to ascertain whether you see any objection to a letter of that character being addressed to you prior to the arrival of these gentlemen.

I hope you keep well and enjoy the few moments of rest on your working holiday.

Sincerely yours,

Hon. William G. McAdoo,

North Haven, Maine.

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Give Mr. G. L. L.

September 2nd, 1915.

My dear Mr. Secretary:

Various inquiries have been addressed to me as to the attitude of the Administration in respect to credits which may be asked from our banks and bankers, by belligerent governments and their citizens.

You have doubtless noticed the reports in the Press that a Committee of English and French officials and bankers is about to visit this country for the purpose of discussing with American bankers what measures can be taken to correct the present disarrangement of the foreign exchanges, such disarrangement resulting, as you are aware, from the unprecedented increase in the amount of this country's export trade balance. The necessity for undertaking some comprehensive plan which will accomplish this, becomes apparent by an examination of the statistics of our foreign trade for the period commencing January first of this year as compared with similar figures for the same period last year, which are enclosed.

The difficulty in arranging payment for our mounting balance of exports is evidenced by the current prices of exchange on various foreign markets which are now as follows: (Quotation of September first).

Sterling:	4.51	representing a premium of 7.32% for dollars,
Marks:	80.75	" " " " 15.25% " "
Francs:	6.01	" " " " 15.96% " "
Roubles:	34.25	" " " " 33.41% " "
Guilders:	39.67	" " " " 6.25 " "
Kronen:	15	" " " " 25.97 " "
Lire	6.55	" " " " 26.38 " "

Sept. 2, 1915.

To Hon. W. G. McAdoo.

This exhibits a complete reversal of the conditions which prevailed less than a year ago when the British Government at your invitation sent Sir George Paish and Mr. Basil B. Blackett to this country to discuss methods of correcting the disarrangement in exchanges which then existed.

Various suggestions have been made for overcoming the difficulties of the present situation, (which will react seriously upon our export trade unless they are promptly corrected), and while some of these various steps can no doubt be taken, and to some extent are being taken from time to time by our bankers, none of them will be effective in the writer's opinion, without the early conclusion in addition of a comprehensive plan by which a large credit, or credits, can be successfully placed in this country in the near future.

The writer recognizes that our government can have no part in transactions involving the manufacture, sale or export of articles which are contraband of war. The various communications of our government, (notably the President's proclamation of neutrality dated August 4th, 1914, the circular of the State Department dated October 15, 1914, Secretary Bryan's letter of April 21st, 1915 addressed to the German Ambassador, and Secretary Lansing's letter of August 12th, 1915, addressed to the Government of Austria - Hungary), have, however, made clear that the sale by our citizens of articles which are contraband of war is lawful trade and will not be interfered with by the Federal Government. The present danger to our commerce lies in the fact that the addition of this vast trade to our usual normal export trade, is making it increasingly difficult for the foreign customers of citizens of this country to make payment for our exports without paying prohibitive

Sept. 2, 1915.

To Hon. W. G. McAdoo.

premiums. The belligerent nations will continue to buy those articles required for war purposes; munitions, food stuffs, motors, horses, etc. If payment cannot be made for all that we are exporting, however, the reduction in our export trade will not be in munitions, but in those articles which are not necessary for war purposes. The loss will fall on those who have nothing to do with trade in contraband and upon classes probably, least able to stand it. The loss will, ~~in fact~~, fall on the normal export trade of the country. The question, therefore, arises as to whether loans negotiated by belligerent nations in this country, to enable these payments to be made, would be a violation of neutrality or would be contrary to any wish expressed by the President or other officers of the government.

Not sent to file

The enclosed memorandum contains a summary of statements of policy which have so far been made by officers of our government bearing on this matter since the outbreak of the war. During this period, loans estimated to be in excess of \$300,000,000 have from time to time been negotiated in this country by various foreign governments. Practically all of these loans were publicly announced throughout the country and those to France, Germany and Canada were advertised for public subscription. Those made to belligerent governments, which also includes Russia, are all reported to have been for commercial purposes and to enable those governments or their citizens to make payment for commodities being purchased in this country, the whole proceeds of these loans, therefore, being used to further American trade. The amounts, however, have been far from adequate and, as stated above,

Sept. 2, 1915.

To Hon. W. G. McAdoo.

the approaching visit of a Committee from England and France to deal with this matter makes it highly important that the bankers of this country should have a clear understanding of the law which would apply to business of this character and of the policy announced by the Executive officers of this country.

You will appreciate that the expressions so far published are rather indefinite and hardly furnish a guide to our bankers in conducting negotiations with the Committee. The matter is of such vital importance to the commerce of the country that I am taking the liberty of addressing this letter to you for the purpose of ascertaining whether, in the opinion of the Administration, there is now any reason either of law or policy, which makes it inadvisable for our bankers to undertake the negotiation of loans to any belligerent nation or nations.

Very truly yours,

Hon. W. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

BS Jr/VCM

December 2nd, 1915.

My dear Mr. Secretary:

I am writing to inquire whether you could spare Mr. William Woodward, one of our Directors, and me, a few minutes of your time next Tuesday morning? We are expecting to be in Washington early that morning, possibly meeting with some members of the Federal Reserve Board about twelve o'clock.

Thanking you in anticipation, I beg to remain,

Very truly yours,

Governor.

Hon. William G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

BS Jr/VCM

129
McAdoo

May 18th, 1916.

My dear Mr. Secretary:

During visits which I made at the offices of the Bank of England and the Bank of France, some interest was displayed in the character of workmanship, etc., of the new Federal reserve notes, and it occurred to me that it might be a courteous thing, if it could be arranged, to send a set of the die proofs to each of these institutions if they could be spared and it was proper to do so.

After receiving many courtesies from the officers and directors of these two institutions, I would like, if possible, to send them these sets with my compliments, and write to ask if they could be furnished, and if there is any reason why it should not be done, I will rely upon your advising me quite frankly.

Respectfully yours,

Governor.

Honorable W. G. McAdoo,
Treasury Department,
Washington, D. C.

BS Jr/VCM



TREASURY DEPARTMENT

WASHINGTON

May 20, 1916.

FILING DEPT.
MAY 24 - 1916
FEDERAL RESERVE BANK

My dear Mr. Strong:

I have received your letter of May 18th, and I have given some consideration to the question of transferring the various accounts of the Post Office Department to the Federal reserve banks. I am advising the Postmaster General today that the Federal Reserve Bank of New York will be in a position upon reasonable notice to take over the Post Office accounts.

The question of permitting the national banks to make their deposits on account of the 5 per cent fund through the Federal reserve banks was taken up some time ago with the Federal Reserve Board, but no answer has been received to the communication of this Department to them.

I will be pleased to comply with your request to be advised well in advance of any additional service which the Federal reserve bank will be required to perform for the Government.

Very truly yours,

W. H. C. Ladd
Secretary.

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

J. C. P.

129

May 23rd, 1916.

Dear Mr. Secretary:

Thank you for your note of the 20th regarding the profits of Federal reserve notes. Of course, I understand that these should not be scattered about, but I hope you understand the circumstances which led me to make the request.

Very truly yours,

Honorable W. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

BS Jr/VCM

129
Estes Park, Colo., August 1, 1916.

Hon. W. G. McAdoo,
Treasury Department,
Washington, D. C.

Dear Mr. Secretary:

Your very kind notes of June 13th and July 26th have just reached me here and I hasten to acknowledge them and to express my deep gratitude for your sympathy and encouragement. It was a great blow to me when I learned that it would be necessary for me to accept banishment for a period, particularly at a time when it seemed as though we were beginning to realize the benefits and get some of the rewards of two years of very hard work. Following the advice of doctors I have spent the last month or so in doing absolutely nothing but loafing, reading and, as you may imagine, a powerful lot of thinking.

The result of these cogitations is the growing confidence in the ultimate complete success and popularity of the Federal Reserve System. Of course there were many difficulties to be overcome, but these I think you will agree have been met with energy and good spirit and I believe it will be shown with success.

If, as I expect, it is possible for me to take up the work again, it will of course be with added interest after this enforced holiday.

You and your associates have been most encouraging and your attitude has been and will prove to be a great influence in getting me back where I belong.

Thanking you most warmly for your kind letter and for your interest and sympathy, I am, with kindest regards,

faithfully yours,

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December 11th, 1916.

Dear Mr. Secretary:

You may occasionally give a moment's thought to an exile out here in the mountains and wonder how I am occupying my time. In addition to following the doctor's orders, meaning a certain amount of time devoted to rest, mild exercise, etc., I have been doing a lot of reading, among other things, convincing myself that the currency and finance laws of the United States are a wretched jumble and that now is a magnificent opportunity to complete the work so well started by the Federal Reserve Act by two other great pieces of legislation.

Occasionally I have been tempted to write the President about some of these matters, but so far have been contented to keep your associates on the Federal Reserve Board pretty well peppered with correspondence.

I am now addressing you personally to inquire whether in your opinion there is any prospect or possibility of further currency legislation by the present administration, and whether in connection with legislation of that character the President is willing to consider undertaking a determined effort to introduce the budget system. As to the first, my own views are pretty well crystallized and what is needed is a responsible sponsor, or preferably, the support of yourself and the Federal

To Hon. W. G. McAdoo.

Dec. 11, 1916.

Reserve Board together with that of the President. I really feel that the subject is so thoroughly understood by those who are actively engaged in operating the Federal Reserve System that no special inquiry or further study of the subject is necessary beyond the usual procedure to Committees of the Senate and House.

As to the second matter, ~~that is, a budget system~~, I have been astonished in discussing this matter both with bankers and those connected with the government to find how little the subject is understood, and to get a somewhat better point of view as to possible legislation, I have been giving a little time to studying the methods pursued by the British Government.

Here is opportunity for constructive legislation of utmost value to the country and we can well afford to take lessons in Mr. Gladstone's school if we are ever to introduce economies and orderly expenditure of the government's revenues into our own system. I am so much interested in this matter that this letter is being sent to you notwithstanding the great pressure on your time, to inquire whether there is any hope of progress in these two subjects, and if so, whether I can be of any service.

The prospect of greatly enlarged expenditures, necessity for larger revenues and the lack of any statutory system by which the amount of our revenues and expenditures are brought

To Hon. W. G. McAdoo.

Dec. 11, 1916.

into balance will likely expose the country to an era of Congressional extravagance beyond all precedent unless some reasonable check can be introduced in the near future.

I hope you keep well and returned to your labors well fortified by a good rest this past Summer.

With kindest regards, I beg to remain,

Respectfully yours,

Hon. W. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

BS/VCM

COPY

Denver, Colorado,
February 19, 1917.

Dear Mr. Secretary:

What you say in your letter of February 13th about a Budget System is unfortunately only too true. Many people seem to believe that the word "budget", were it enacted into statute law, would work some mysterious cure of our government's financial malady. But most of them don't know what a budget is!

The fact is that the word "budget" really signifies a typically British government institution, the evolution of centuries of experience, which has never been allowed to develop in our government, but which is nevertheless just as possible with us as with England, because the constitutional basis of the English Financial System is substantially identical with the constitutional basis of the financial powers exercised by our Congress.

The raising and appropriating of money for the British government, solely by authority of Parliament, had its earliest origin in Magna Carta. King John's oath, taken at Runnymede, undertook that "No scutage or aid shall be imposed in our Kingdom unless by the general council (now Parliament) of our Kingdom", and in the English Bill of Rights it was stated "Henceforth shall no man be compelled to make any gift, loan, or benevolence, or tax, without common consent by Act of Parliament". And it was proclaimed to be unlawful for the Crown to levy money "for and to the use of the Crown by pretence of prerogative for other time and in other manner than the same was granted by Parliament."

To - Hon. W. G. McAdoo.

February 19, 1917.

The British Parliament alone has the Constitutional right to raise money for the Crown and the Parliament alone has the right to vote expenditures for the Crown. A long series of contests between the Commons and the Lords culminated in 1911 in giving the House of Commons exclusive power over money bills, and the House of Lords since that date is practically deprived of the power even to reject a money bill.

I refer to this simply to indicate that the constitutional basis for the exclusive power of the British Parliament (and in recent years actually the Commons) to raise and appropriate the expenditure of money, had its origin in the earliest days of the development of the English unwritten constitution and is no less rigid and restrictive than are the provisions of our more modern written constitution.

Up to this point there is distinct similarity, almost complete in fact, between the revenue raising and the spending powers of British Parliament and of our Congress, but from this point on a tremendous divergence in practice appears. A study of the English System discloses how experience has enabled the British Government to adopt methods of finance which are within the constitutional powers of the Government (executive), do not abridge the constitutional powers of the Commons (Legislative), but are nevertheless practical, effective and economical. This our Government has never succeeded in doing, largely on account of the jealous and selfish exercise of the "spending", I might say the "wasting", power by Congress. Our Government in financial matters is in the position of the unfortunate head of a family who has been dragooned into permitting a wife and extravagant daughters to draw checks on his bank account regardless of the condition of his balance

To - Hon. W. G. McAdoo.

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and the amount of his earnings. As exhibiting the strength of the English System in contrast with the weakness of ours, I enclose a quotation from an authoritative work published in 1915 on the English Finance System, by a wellknown English author, who is a member of Parliament.

Whether the method which should now be adopted is called a "Budget System" or by some other name, will make little difference so long as the chief object to be attained can be accomplished. This object, so carefully evolved in England, is to bring the revenues and expenditures of the Nation into balance, and to do so by providing a certain amount of "stretch", if you please, on both the revenue and expenditure sides of the account and to control or restrict present unlimited Congressional appropriations. I think I am correct in saying that the whole British budget system rests upon a few simple principles which I will endeavor to briefly state:

1. A great part of the revenue of the Kingdom is fixed, constant and continuing under permanent statutes which apply to practically all sources of income, such as customs, excise taxes, licenses, stamp taxes, taxes on rents, etc., etc., with the exception of the two great sources of revenue which are adjusted each year by Parliament in order to effect a balance with the estimates. These two sources are the income tax and the tea duty. Therefore, when the Ministers of the Crown prepare the budget, the "votes" are brought to a balance with the income and the income to a balance with the "votes" principally by an adjustment of the rates on these two items of taxation, taken in connection with the fixing of the "estimates" for the annual "supply" votes.

2. All revenues of the British government are paid into one fund, known as the "Consolidated Fund", and all money spent must be paid out of

To - Hon. W. G. McAdoo.

February 19, 1917.

that fund upon authority of appropriation acts of Parliament. This is substantially the same as our "General Fund."

3. A very large proportion of the Government's expenditures, the same as a very large proportion of its income, is based upon permanent and continuing statutes, thus reducing the annual votes authorizing such regular expenditures to pro forma appropriation bills, while most of the expenditures for the annual "supply service", as distinguished from the "continuing services", which hold over from year to year, are based upon annual "estimates" or votes.

4. Only the Ministry can propose a vote of money to the House of Commons. No member of the House can offer a vote of money by a private bill, or even introduce an amendment to the appropriation bills offered by the Ministry, which would necessitate an increase in the Ministry's estimates. Any member of the House can offer a vote to strike out a proposed expenditure, or to reduce it.

The Ministers are the representatives of the Crown (executive) so that this situation, which seems quite extraordinary to an American, appears in a measure to defeat the purpose of the Bill of Rights to vest in Parliament (legislative) exclusively the right to raise and appropriate money. That is not, however, the case, - as the powers of the Ministry are based upon a "self-denying ordinance" of Parliament (legislative) which in effect results in Parliament re delegating to the Ministers of the Crown (executive) the exclusive right to propose votes for revenues and expenditures, Parliament reserving the right, on the other hand, to reject the proposals of the Crown in whole or in part, but not to increase them. Of course, at any time

To - Hon. W. G. Meadoc.

February 19, 1917.

Parliament could change all of this by repealing the act of "self-denial". An act to repeal the so-called "self-denying ordinance" would in fact deprive the Ministers of the Crown of the privileges which this statute has conferred upon them, but as the continued exercise of these privileges is dependent upon the Ministry maintaining a majority in the House of Commons, the rejection of a Ministry's budget and estimate would have the same effect as would the repeal of the powers now exercised by the Ministers of the Crown, because the Government would "fall".

5. The estimates for all expenditures are prepared annually by the Ministry (executive), as well as supplementary estimates, which estimates are the result of a long series of careful study made by each department of the government in conjunction with the Treasury, and it is only upon these estimates that votes for expenditures are based. They must, however, be authorized by an Act of Parliament, in which the power of the House of Lords is now limited simply to the right of suggestion and criticism.

6. As the bulk of the revenues of the Kingdom are collected in two comparatively short periods each year and as the system of budget and estimate, after long experience, has brought the income and expenditure of the Kingdom to a very nice balance, provision has to be made for a wide fluctuation of income throughout the fiscal year, for the British Government is conducted in normal times upon a very narrow balance in the "Consolidated Fund." This is done by a carefully safeguarded system of short borrowing, conducted either directly with the Bank of England, or with the money market through the Bank of England.

To - Hon. W. G. McAdoo.

February 19, 1917.

7. The Ministers of the Crown who prepare the estimates and the budget, perform in considerable measure the work now performed by our Congressional Committees and, of course, being members of the House of Commons, they, or their representatives, are always present to explain and defend the government's financial program.

It may seem at first glance as though the adoption of anything comparable with these methods would be absolutely out of the question in this country, but I am very sure that they appeared to be quite as impossible in England before Mr. Gladstone undertook his tremendous task of financial reform, which he succeeded in accomplishing and which has resulted in the perfection of the present English System.

Now the question is - what changes are feasible under our constitution and how may we profit by their experience? There should really be no fundamental legal difficulty because the constitutional bases of the two Systems are substantially identical. A real reform however will require many acts of self-denial by Congress in voting expenditures and some radical changes in our methods of raising revenues. The following might summarize what is needed:

(a) All legislation involving appropriations of money which are not continuous (such as interest on the debt, etc.) to be made solely upon the initiative of the administration.

(b) Complete budget to be submitted by the administration annually, the estimates of income thereunder to be calculated so as to cover the expenditures recommended for the current year by the administration (executives).

To - Hon. W. G. McAdoo.

February 19, 1917.

(c) The President should be authorized to veto specific items in the budget and in the appropriations, and both the budget and appropriations should be so classified and subdivided by items that the veto of any part would not defeat the entire program.

(d) The Secretary of the Treasury to be authorized to borrow regularly on short bills in anticipation of revenues included in the budget.

(e) Supplementary estimates for expenditures which result in exceeding the estimated budget collections to be provided out of short borrowings and adjusted in the next year's budget and estimates.

(f) Provision to be made for the creation of a staff of well paid, permanent under-secretaries in the various departments.

The question at once arises, how may these changes be accomplished? The chief difficulty, and a very serious one, will be in dealing with the worst feature of our present system, and that is unrestricted appropriations by Congress. My suggestion would be to deal with the matter just as the House of Commons has in England. Ask Congress (and I realize this would involve a bit of a fight) to agree that all appropriation bills shall originate in the initiative of a body composed partly of the Chairmen of various committees of the House (legislative) and partly of the officers of the administration (executives). Legislation to that end would indeed be an act of self-denial by the House of Representatives, but I have no doubt it is within their constitutional powers and I believe experience would demonstrate its wisdom. Only by some such act of abnegation will the finances of our government ever be relieved of their present scandalous extravagance and lack

To - Hon. W. G. McAdoo.

February 19, 1917.

of regulation and control.

As to the budget itself, once the administration can exercise some control over the spending of money, the preparation of a budget covering the income will be greatly simplified, and if this work were done under the direction of permanent under-secretaries, men of experience and ability, who were trained in the work and satisfied to continue in the service, it would doubtless be better done than is possible by the present system.

This plan would not be feasible unless coupled with it members of the Cabinet were given the right to appear in the House and possibly the Senate as well, in order to explain and defend the proposals of both the budget and the estimates and no doubt this privilege should be accorded to the permanent under-secretaries as well.

Under some plan such as the above a considerable part of the annual expenditures could be made continuous and put upon a thoroughly scientific basis and at the same time the adjustment of the revenues could be effected by annual changes to the extent necessary only in certain of the larger items of revenue of a non-political character.

One of the curses of our financial system has been the influence of political considerations in establishing rates of duties on imports. Political and private considerations, commonly paraded under the title of "protection", have no regard for revenues whatever and a thorough going reform of our finances would necessarily involve taking the tariff out of politics and investing the Tariff Board with fairly broad discretionary powers, certainly with considerable authority for guiding Congress in fixing the scale of those duties which would be classed as "permanent." Certain items which

To - Hon. W. G. McAdoo.

February 19, 1917.

might produce large revenues could be left in the "fluctuating" class, as in the case of the English tea duties; - such for instance as a duty on rubber and on coffee, neither of which is produced in this country, and consequently not subject to political influences, as in the case of sugar.

Probably the largest item for annual readjustment to bring the budget into balance with the estimates should be the Income Tax.

The task of bringing about improvement in our financial affairs is no greater than that which Mr. Gladstone faced, and it will certainly take a tremendous struggle to bring it about; but the results will justify the effort.

I realize that in this time of great pressure upon the officers of the government it is difficult for them to give attention to a new and complicated problem such as this one, but that should not be the excuse for laying the subject aside. This is one of those matters to be dealt with by private and unofficial investigation and inquiry, or, at any rate, by some committee or body not composed of members of Congress. Our government is now embarking upon a program of expenditure far beyond anything heretofore undertaken and under conditions where extravagance and waste are most likely to develop. Is it not, therefore, proper that adequate measures to regulate and control the government's revenues and expenses should be undertaken without delay?

Respectfully yours,

Hon. W. G. McAdoo,
Treasury Department,
Washington, D. C.

BS/CC

Enc.

THE CROWN'S INITIATIVE.

"It is for the House of Commons alone to grant money and to limit the uses of its grant; it is for the House of Lords to assent to the grant, with the limited power of criticism left to it by the Parliament Act. The whole initiative is with the Commons, but in the exercise of that right the House of Commons has imposed upon itself a very important limitation. By a self-denying ordinance it has deprived the generality of its own members of the power of initiative in imposing charges on the people, and has limited that power to the Crown. By the Crown, since ours is a constitutional and limited monarchy, we understand the King's executive ministers who sit in Parliament and are responsible to it. So the limitation of initiative by the House to the Crown is in fact a limitation to those of its own members who are responsible for the executive government. No grant can be proposed unless a minister demands it. No proposal can be made that a tax be imposed or increased unless a minister signifies the assent of the Crown to the proceeding, and thus certifies that the money is needed for the public service. No member not a responsible minister can get up and propose the imposition of a public charge on his own initiative. The matter is regulated by a Standing Order of the House of Commons. It is Number 66 which provides that "this House will receive no petition for any sum relating to the public service, or proceed upon any motion for a grant or charge upon the public revenue, whether payable out of the consolidated fund or out of money to be provided by Parliament, unless recommended by the Crown." The recommendation of the Crown may be communicated by a message under the sign manual, or by a formal verbal statement made in the House by a responsible minister; more commonly the recommendation is conveyed by a minister simply leaning forward in his place in the House, and touching a document with his finger as it is introduced.

The limitation of the financial initiative is sometimes spoken of as a prerogative of the Crown. The word is an unsuitable one. A prerogative is a privilege of the Crown that exists of its own force. The privilege or rather duty in question exists, not by its own force, not even by force of a statute, but by force of a mere domestic resolution of the House of Commons concerning its own procedure. A true prerogative right, such as that to make treaties, could not be affected by a resolution of the House of Commons. But by rescinding the Standing Order quoted above the House might to-morrow restore the right of initiative in taxation to the generality of its members. It is in its own wisdom that the House has established the rule, and the wisdom is beyond dispute. Limitation of financial initiative to the Executive is one of the sheet-anchors of good government. The balancing of revenue and expenditure is a nice and delicate operation; only the Executive can have the double knowledge needed for it, of what is needed on the one hand and of how much it will cost, and on the other hand of how much the taxes are likely to yield. It is the Executive which has sole responsibility for the national revenue and expenditure, and it is the Executive which should have control over them. Its plans once made must be rigidly adhered to; were the balance of revenue and expenditure liable to be upset by any ill-informed, sudden, and comparatively irresponsible action on the part of a private member, the nation's finances must soon fall into wild disorder. It is easy to imagine the chaos which would result were a fervent patriot able to rise in his place and move the House, impromptu, to build ten fresh battleships "out of money to be provided." It is only too likely that in these days of high-strung emotions Parliament might be stamped at times into some measure not much less reckless, which would necessitate at a moment's notice the immediate introduction of a fresh budget and the review of the whole taxation for the year. Against this we are protected by

the necessity for a recommendation from the Crown as a condition precedent to any such proceeding.

There is another great mischief against which the limitation protects both the House of Commons and the taxpayer, one that was rife in the past before the limitation became so absolute as it is now. It protects them against the improper appropriation of public funds by members for the benefit of their constituencies. Formerly it was possible and common for the member for Looen, it might be, to move and carry the expenditure of 100,000 pounds on a new harbour for his constituents. The present rule makes that impossible. All that a private member can do of his own initiative is to move a theoretical resolution that money might profitably be spent on such an object, which commits the House to nothing."

Denver, Colorado,
February 19, 1917.

Dear Mr. Secretary:

In elaboration of my letter of December 11th last, I am below suggesting in detail the matters relating to our currency to which my letter had reference and which I believe should be the subject of further legislation by Congress at an early date. I am writing you separately on the subject of a "Budget", as suggested by your letter just received. Some of the various points mentioned below have already been the subject of correspondence with members of the Federal Reserve Board, and are covered by bills now before Congress.

After more than two years' practical experience with the Federal Reserve Banks in operation, I believe it has been thoroughly demonstrated that the following additional legislation is needed,

1. The entire issue of United States notes (greenbacks) should be retired at once, the Federal Reserve Banks assuming their redemption, so as to gradually substitute in circulation Federal Reserve notes (not Federal Reserve bank notes). In consideration of their assuming this obligation they should receive from the government the entire amount of the present Trust fund (say \$153,000,000) of gold and in addition government bonds for \$193,000,000, bearing a rate of interest which would enable the Reserve Banks to gradually sell them, but so long as held by Reserve banks, the government to receive a tax which would reduce the net cost to the government to say 1-1/2%. These bonds only to be used as security for Federal Reserve Notes.

2. The Reserve banks should be authorized to issue Federal Reserve

To - Hon. W. G. McAdoo.

February 19, 1917.

notes directly and freely against gold and the gold so obtained should count as an asset and the notes issued as liabilities of the Reserve Banks. This subject has been thoroughly threshed out by the Reserve Board, but for some reason Congress fails to appreciate, not only the wisdom but the absolute necessity for this change in the law.

3. Congress should provide for the redemption at face value and the recoinage at the expense of the government of all gold coin now in circulation which is abraded below the limit of tolerance, and demonetize any gold coin which is not presented within a prescribed period, so as to force its immediate redemption. If the Reserve Banks were made the agencies for receiving this gold, they could pay for at least a part of it by issues of Federal Reserve notes and correspondingly increase their gold holdings.

4. The present practice of the New York Sub-Treasury and Assay Office of receiving gold from responsible depositors for assay and coinage and paying at once 99% of the assumed value thereof should be discontinued and all depositors of gold should be forced to await at least the assay office return, and possibly the Mint return, before receiving payment. Coincident with this change of policy, the Reserve Bank should offer to purchase all gold under an arrangement substantially similar to that now conducted by the Sub-Treasury and Assay Office at New York, under which they pay 99% of the assumed value at once. This would put the Federal Reserve Banks in the same relation to the American gold market as that now occupied by the Bank of England in the English gold market. It would make dealings in gold for cash purely banking transactions and leave the Mint, as it should be, a government institution for the conversion of gold bullion

To - Hon. W. G. McAdoo.

February 19, 1917.

into gold coin for any depositor who preferred to deposit his gold and await its actual minting.

5. The law prescribing the denominations of gold certificates should be modified at least to the extent that the determination of denominations shall rest with the Secretary of the Treasury, or jointly with the Secretary of the Treasury and the Federal Reserve Board. This would enable the gradual retirement of gold certificates of denominations of say less than \$100, until such time as both the Reserve Banks and the National Banks had largely increased their gold stock, but would not deprive the Secretary of the Treasury of the power to resume the issue of small denomination gold certificates to such extent as became necessary in order that the country be not entirely denuded of gold circulation, which I regard as a desirable and necessary element in the hand to hand circulation of the country.

6. The issue of small denomination silver certificates, particularly in \$1.00, \$2.00 and \$5.00 denominations, should be increased as rapidly as these denominations can be absorbed in general circulation. I am aware that it has been the policy of the Treasury Department to endeavor to meet the constantly increasing demand for small bills, and that an order has lately been made providing for the issue of small denomination United States notes; - but, as I believe that all the United States notes should be retired, the demand for small bills must in that event necessarily be furnished entirely in the form of silver certificates.

7. Provision should be made for a more rapid retirement of National Bank notes, with considerable discretion resting in the Federal

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February 19, 1917.

Reserve Board as to the progress of the retirement. My theory is that the demand for currency at the present time is so great by reason of unusual business activity, that efforts should now be directed principally to impounding imported gold, which counts as bank reserve, rather than in contracting other existing currency which does not count as reserve; but that the means should be at hand for the later retirement of National bank notes in large volume, coincident with the inevitable subsidence of business and a resulting redundancy in our currency. The legislation should be undertaken now, but possibly the operation not commenced until business slackens.

8. The operations of the Federal Reserve Banks will require them to accumulate a considerable stock of United States standard gold bars. Provision should be made by executive order for waiving remelting charges in favor of Federal Reserve Banks which enter into necessary undertakings with the government to protect the government against any loss in that respect. This matter is fully covered in a letter which I recently wrote to Governor Harding, copy of which is enclosed herewith.

9. While not bearing directly on the currency, I think the provisions of the Clayton Act should be modified so as to eliminate the present absolute prohibition in regard to private bankers serving as bank directors. Some modification of this Act is necessary before it is possible to induce many of the larger Trust Companies to become members of the Federal Reserve System, and I think it can be shown that the objects sought by the Clayton Act have already been fully accomplished and could not now be defeated by some modification in this respect.

To - Hon. W. G. McAdoo.

February 19, 1917.

The suggestions made above are only those of considerable importance and I appreciate the difficulties which must be encountered in securing the adoption of a program as extensive as the one suggested. Nevertheless, all of these I regard as important measures, looking to the financial preparedness of this country against any possible emergency; in fact of sufficient importance to justify their being brought to the attention of Congress by the President to the extent that legislation is required.

I beg to remain,

Respectfully yours,

Hon. W. G. McAdoo,
Treasury Department,
Washington, D. C.

Enc.

Denver, Colorado,
February 19, 1917.

Dear Mr. Secretary:

Your letter of February 13th is just received and I regret very much to learn that you have been laid up, particularly as I realize the pressure which you must be feeling and the responsibilities that you are carrying just now.

I am answering your letter from bed myself as I caught a little cold a few days ago returning from Arizona, but expect to get up today.

The two letters enclosed cover in very rough outline the particular matters I had in mind in writing you last December. A number of the points referred to bearing on currency reform are partly or entirely covered by amendments to the Federal Reserve Act now before Congress upon recommendation of the Federal Reserve Board.

I will be very glad to elaborate these matters with an argument if you think there is any use that can be made of it.

Sincerely hoping that you will be around and completely recovered at an early date, and with kindest regards, I am,

Very truly yours,

Hon. W. G. McAdoo,
Treasury Department,
Washington, D. C.

BS/CC

Encs.

March 3, 1917.

Dear Mr. Secretary:

Governor Harding advises me that he has referred to you the suggestions I made a fortnight ago concerning certain changes in relations between the Assay Office and this bank which would give us greater facility in dealing in gold, especially in regard to the international aspects of the situation, and has asked me to write you direct and at length on the matter, which I now take pleasure in doing.

Three changes are suggested, having for their object -

- (1) To enable us to act with greater facility and without loss in earmarking gold for, and shipping gold to our foreign agents, and
- (2) To enable us to purchase whatever foreign gold coin or fine gold bars are offered to the Assay Office in round amounts of over \$1,000,000.

With respect to (1), under the terms of the agreements now in process of negotiation with the Bank of England and the Bank of France, we agree to earmark gold either in coin or in United States mint gold bars, for our correspondent at their bullion value. In the case of bars we are obliged to charge our correspondent the Assay Office charge for bars of 50 cents per \$1,000., and if such bars are later credited to our correspondent we are obliged to charge it the Assay Office charge for remelting of \$1.00 per 1,000 ounces. The essence of each of the agreements above referred to is that each bank shall undertake for the other to perform similar services on exactly similar bases. When the Bank of England or the Bank of France earmarks gold bars for this bank there is no deduc-

tion for charges, as would be the case in New York, nor, when such bars were returned to our credit at the Bank of England or the Bank of France would there be any charge to our account similar to the re-melt charge here.

We shall probably usually want to earmark gold bars rather than gold coin owing to the uncertainty as to whether the coin we get from the Subtreasury in exchange for certificates will be new coin of full value or coin slightly abraded.

Frankly, we have felt a little embarrassed at having to subject the Bank of England and the Bank of France to these charges in handling gold for their account since they have no similar charges to subject us to when we ask them to perform similar services for us.

In our proposed relations with these institutions, and the same would be true of others with which we might make similar arrangements, the transactions contemplated are of such a restricted nature that in settling balances we would not, like the ordinary commercial bank, be able either to remit in exchange or to ship gold, whichever might be the more profitable after taking into consideration abrasion, Assay Office charges, etc. The proposed agreement obligates the debtor institution at the request of the creditor institution actually to ship the gold which has been earmarked, and in order to fulfil this obligation we should be put in a position to secure the gold and ship it on as favorable a basis as the Bank of England or the Bank of France could perform a like service for us, and without the considerable loss which we would incur if we ourselves had to stand the cost of securing United States mint bars.

It seems to us that there would be a compensating advantage to the government in having it made as easy as practicable for us to earmark gold bars instead of United States gold coin for our foreign correspondents

since the exporting of such coin would require, potentially at least, the minting of additional gold coin and would entail expense upon the government. In this connection there might also be considered the expense which the Federal Reserve System is saving the government by issuing its notes in substitution for gold certificates, not for its own profit but solely in the public interest. This saving will be greatly increased when the Act has been amended so as to facilitate the process.

Mr. Bovee, superintendent of the Assay Office has recently asked us whether we could help him for a few months by storing up to perhaps \$300,000,000. to \$400,000,000. of gold bars in our vault and we have told him that while it would not be possible for us to store any such amount as he indicates our attitude would be to cooperate with and assist him as far as may be practicable without interfering with our own facilities and those of our member banks. We are now studying what new vault compartments we are likely to need during the next year or two, and have told Mr. Bovee that when this survey is finished we would reply to him definitely. We have stated to him, however, that if the remission of the 50 cents per \$1,000. charge could be made we should be inclined to acquire promptly and carry on hand a substantial amount of gold bars in anticipation of their being needed under our foreign agreements, which would give him some measure of relief even should we not be able to store bars for his account.

It is our desire, therefore, in view of the important effect which we feel the agreements now under negotiation with the Bank of England and the Bank of France will have in steadying credit conditions in the United States with consequent advantage to our commercial, industrial and agricultural interests, and in order that we may be able to operate with the greatest freedom under these agreements, if concluded,

3/3/17.

- (a) That we should be able, without paying the charge of 50 cents per \$1,000., to procure from the Assay Office from time to time such reasonable amount of United States mint gold bars as we may desire normally to keep on hand and as we may need for transactions with our foreign correspondents. Of course, we should not expect to make a practice of re-selling such bars to our member banks unless and until our relation to the Treasury Department and the Assay Office required or permitted us to do so.
- (b) That on any United States mint gold bars which we may have procured from the Assay Office and later wish to return for conversion into gold certificates, the Assay Office should waive the charge for re-melting of \$1.00 per 1,000 ounces upon our written guarantee that the bars returned were the identical ones received from it and had not been out of our vaults. We understand that this has already been done in some cases for individuals or institutions, and the precedent therefore seems established for the extension of the privilege, under appropriate safeguards, to this bank.

With respect to (2), already referred to briefly in my letter to Governor Harding, I will ask the privilege of deferring writing you at length until some time next week as our study of the details is not quite completed, but I am writing you to-day about the other changes desired as Mr. Bovee tells us he expects to be in Washington early next week and you might wish to discuss them with him.

We trust that the waiving of these two charges in our case, to the extent and under the conditions above described, may receive your favorable consideration, and it would be a great satisfaction if they could be adjusted soon as we should like very much to be able to eliminate mention of them from our proposal to the Bank of France which should go forward some time next week.

Respectfully yours,

Honorable W. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

Chairman.

March 14, 1917.

Dear Mr. Secretary:

I have delayed writing you further in continuance of my letter of March 3rd until after the meeting of our board of directors to-day, in order that I might have authority to convey to you certain assurances as suggested by Governor Harding.

We are now authorized by our board of directors to assure you that if you will reestablish the old rule under which the Assay Office advanced only 90% of the estimated value of gold deposited with it, this bank will offer to advance to responsible parties under appropriate guarantees and for lots of \$1,000,000. and over, 98% of the estimated value of gold bars deposited and 99% of the estimated value of foreign gold coin deposited subject to determination of the actual values at the Assay Office. Our offer would be subject to discontinuance upon reasonable notice, but it would be our intention to continue it in force ^{at least} during the present extraordinary movement of gold towards this country resulting from conditions arising out of the European war.

Governor Harding suggested also that we should write you what advantages would accrue to the Federal reserve bank from such reestablishment of the old rule.

Generally speaking, it would enable this bank to have gold coming into the country pass through it instead of pass by it. How much of the gold it could retain would depend upon varying conditions.

Specifically, the reestablishment of the rule would enable the bank(1) to pay out in clearing house settlements any silver certificates

3/14/17.

and legal tender notes it might hold, and thereby to maintain all its reserve in gold; and (2) at times, to issue Federal reserve notes against gold for the requirements of member banks. Of course, the possibility of issuing notes against such gold would be very much increased if the reserve amendment now under consideration by Congress were enacted.

The reestablishment of the rule would put this bank in the same relation with regard to the Assay Office in which the Bank of England finds itself with regard to the British mint. The ability of the Bank of England through this relation to divert through its machinery all gold imported into England is considered a most important element of strength, and we have no doubt that a similar relation to the Assay Office taken in conjunction with a revision of certain Assay Office charges to us, referred to in my letter of March 3rd, could be developed in time into an equally important element of strength for the Federal Reserve System.

Respectfully yours,

Chairman.

Honorable W. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

PJ/RAH

Denver, Colorado,
March 27, 1917.

PERSONAL.

Dear Mr. Secretary:

This is the most trying absence from my work that I have ever suffered but I am looking forward to returning by the first of June, barring unforeseen developments and, in fact, could return sooner than that if my presence was needed.

This letter is to urge that you do not hesitate to call on me for any work here, in New York or abroad in which I can be of any service to the Government.

I am led to write you just now because of suggestions, which seem to have the appearance of authority, that you are contemplating financial arrangements abroad in connection with war developments. My relations in London and Paris with the bankers are, as you know, of long standing and I hasten to assure you of my desire to utilize them in any way which would be of service to you.

With kindest regards, I am,

Very truly yours,

Hon. W. G. Meadco,
Treasury Department,
Washington, D. C.

BS/CC

CLASS OF SERVICE DESIRED

Fast Day Message

Day Letter

Night Message

Night Letter

Patrons should mark an X opposite the class of service desired; OTHERWISE THE TELEGRAM WILL BE TRANSMITTED AS A FAST DAY MESSAGE.

WESTERN UNION



TELEGRAM

NEWCOMB CARLTON, PRESIDENT

Receiver's No.

Check

Time Filed

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

Denver, Colorado,
April 3, 1917.

Hon. W. G. McAdoo,
Treasury Department,
Washington, D. C.

I cannot enlist but am relying upon you to advise me if there is anything else that I can do and assure you that my health will justify my returning now at almost any time.

Benjamin Strong.

Chg. Benj. Strong,
4100 Montview Blvd.,

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

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

1. The Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any UNREPEATED telegram, beyond the amount received for sending the same; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any REPEATED telegram, beyond fifty times the sum received for sending the same, unless specially valued; nor in any case for delays arising from unavoidable interruption in the working of its lines; nor for errors in cipher or obscure telegrams.
2. In any event the Company shall not be liable for damages for any mistakes or delays in the transmission or delivery, or for the non-delivery, of this telegram, whether caused by the negligence of its servants or otherwise, beyond the sum of FIFTY DOLLARS, at which amount this telegram is hereby valued, unless a greater value is stated in writing hereon at the time the telegram is offered to the Company for transmission, and an additional sum paid or agreed to be paid based on such value equal to one-tenth of one per cent. thereof.
3. The Company is hereby made the agent of the sender, without liability, to forward this telegram over the lines of any other Company when necessary to reach its destination.
4. Telegrams will be delivered free within one-half mile of the Company's office in towns of 5,000 population or less, and within one mile of such office in other cities or towns. Beyond these limits the Company does not undertake to make delivery, but will, without liability, at the sender's request, as his agent and at his expense, endeavor to contract for him for such delivery at a reasonable price.
5. No responsibility attaches to this Company concerning telegrams until the same are accepted at one of its transmitting offices; and if a telegram is sent to such office by one of the Company's messengers, he acts for that purpose as the agent of the sender.
6. The Company will not be liable for damages or statutory penalties in any case where the claim is not presented in writing within sixty days after the telegram is filed with the Company for transmission.
7. Special terms governing the transmission of messages under the classes of messages enumerated below shall apply to messages in each of such respective classes in addition to all the foregoing terms.
8. No employee of the Company is authorized to vary the foregoing.

THE WESTERN UNION TELEGRAPH COMPANY

INCORPORATED
NEWCOMB CARLTON, PRESIDENT

CLASSES OF SERVICE

FAST DAY MESSAGES

A full-rate expedited service.

NIGHT MESSAGES

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

DAY LETTERS

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

SPECIAL TERMS APPLYING TO DAY LETTERS:

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

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

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

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

D. This Day Letter is received subject to the express understanding and agreement that the Company does not undertake that a Day

Letter shall be delivered on the day of its date absolutely and at all events; but that the Company's obligation in this respect is subject to the condition that there shall remain sufficient time for the transmission and delivery of such Day Letter on the day of its date during regular office hours, subject to the priority of the transmission of regular telegrams under the conditions named above.

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

NIGHT LETTERS

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

SPECIAL TERMS APPLYING TO NIGHT LETTERS:

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

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

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

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

April 9, 1917.

My dear Mr. Secretary:

Concerning the proposed Government bond issue, which was discussed by the governors of the Federal reserve banks with you last week, we have taken occasion at this bank to confer with a few of the leading bankers in this city, including some private bankers, national bankers and trust company officers. For purposes of discussion we took as a text the memorandum on bond issues which the governors of the reserve banks prepared and of which I think Mr. Aiken has sent you a copy. In case, however, you have not received it for any reason, I am enclosing a copy herewith for ready reference.

The consensus of opinion on the points suggested in the memorandum was as follows:

1. As to amount: It was unanimously agreed that an issue of five billion dollars could not be placed at one time at any reasonable rate of interest. The majority of those conferred with felt that such a large issue could not be placed at any rate of interest at all. They were all of opinion that it would be wise, if the Government decided that four or five billion dollars should be raised by bond issues during the first year, that an announcement to that effect might be made but that the first offering for public subscription should be for one billion dollars or, at the outside, two billions.

They also were unanimously in accordance with the governors' memorandum to the effect that the issue should be free from all taxes and should

most certainly carry the privilege of conversion into any subsequent issues carrying a higher interest rate that might be brought out during the period of the war.

2. As to rate: They were all of opinion that an issue of as much as a billion dollars could not be placed at 3%. They thought that such an issue could be placed at 3 1/2% and that an issue of two billion dollars could be placed at 4%. A few of those consulted thought that two billions might be placed at 3 1/2% if there was a very able publicity campaign conducted.

3. As to price: They were all strongly of opinion that the price should be par and interest and that an issue of the size contemplated ought not to be offered to the public for tenders but should be offered for subscription at the flat rate.

4. As to terms: They were substantially in accordance with the views of the governors to the effect that the bonds should be redeemable after a certain number of years from the date of issue, with an annual retirement thereafter of a certain percentage of the total amount in order to retire the whole at a given time; or in the alternative that sufficient sinking fund provisions should be provided for. However, most of those present agreed that an annual retirement was preferable to a sinking fund.

5. As to denomination: The opinion was unanimous that the denominations should be as low as \$50. and possibly as low as \$20, but that if \$20. bonds were to be issued, there should not be any \$50. ones.

6. As to subscriptions: They agreed with the governors' memorandum that the placing of the bonds and obtaining subscriptions should be handled through the Federal reserve banks as fiscal agents of the Government and that subscriptions should be received by all national banks, state banks, trust companies, savings banks, private bankers and postoffices. They all agreed that it would be unfortunate to designate certain private bankers (to the ex-

clusion of others) who would be included as official receivers of subscriptions, as this would tend to create hard feeling. They suggested that instead, any private banker should be authorized to receive subscriptions for the reserve banks.

They also felt strongly that a first-class publicity committee should be organized as promptly as possible to take charge of the advertising and that this committee should be formed of advertising, publicity men and bond distributors, most of whom should have larger experience than the publicity men of the bond houses and banks themselves.

7. Method of receiving subscription payments: The general opinion prevailed that the subscriptions should all be payable at once and not by instalments, especially if the initial offering was for a billion dollars. In any event, subscriptions in amounts of \$1,000. or less should be cleaned up in one payment, even if the larger ones might be paid by instalments.

8. Deposit of proceeds: The feeling was unanimous that the bulk of the proceeds should not be transferred to the Treasury or the Federal reserve banks. Upon the question of leaving subscriptions with state banks and trust companies (not members of the Federal Reserve System) there was not a general expression of opinion, but it was clearly brought out that if it was decided that the proceeds should not be deposited with the nonmember institutions, this intention on the part of the Government should be made clear sufficiently in advance for such institutions to prepare for the shifting of their deposits.

The general feeling was that the institutions with whom the deposits were left or made should not be required to pay interest on them, as this would, as a practical matter, compel them to make use of the funds in order to earn their interest charges, which would have a detrimental effect on the general situation; and furthermore, that if no interest were charged on the balances, the efforts of the institutions to obtain subscriptions might be increased.

There was some criticism of the governors' suggestion to the effect that deposits in the other institutions be made by the Federal reserve banks, the general opinion being that such a provision would cause an unnecessary complication and that the deposits might be made with the institutions or left with them direct by the Government, instead of having it made by the reserve banks.

The feeling was very strongly expressed that it would be far better to have a comparatively small initial issue at an attractive rate, so that the bonds would be quickly taken by the ultimate investors and go to a slight premium, which would have a very stimulating effect upon further issues. It was also suggested that the initial issue might be accompanied by an official statement to the effect that further issues would be forthcoming as the Government requirements might dictate. One advantage which this method would bring about was stated to be that a good deal of hesitation would be felt by many investors in committing themselves to large subscriptions of Government bonds before they knew what the taxation programme of the Government was to be, as the matter of taxation would have a very direct bearing upon the disposition of many investors with respect to making large commitments. In this connection it was pointed out that the prevalent rumors concerning the possibility of general very heavy increases in many forms of taxation had begun to have an effect upon both investors and business men, who were in a state of uncertainty as to how seriously their holdings and incomes might be affected.

With respect to the size of the issue, I think there was a general sentiment that an initial offering of more than two billion dollars would necessitate a violent readjustment in the values of existing securities and would thus add another obstacle in the way of placing the loan.

One more reason advanced against such a large initial offering was the fact that there was no existing atmosphere which had aroused the country, such as great loss of life among our fighting force or Zeppelin or other attacks

4/9/17.

on United States soil, so that the people had not been worked up to carry a large floatation along on a wave of enthusiasm.

I hope that these suggestions may prove of some assistance to you.

As this conference was arranged wholly on the initiative of Mr. Jay and myself, we took great pains to indicate to those with whom we talked that we were acting on our own initiative and not at all at the request or suggestion of yourself or anyone else in the Government, and that we desired their suggestions and advice for our own guidance in making recommendations as to how any bond issue might best be handled, and naturally the matter was treated in an extremely confidential manner.

Very truly yours,

Secretary.

Honorable W. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

JFC/CEP
Enc.

Denver, Colorado,
April 11, 1917.

PERSONAL.

Dear Mr. Secretary:

Our association and friendship of the last two and a half years is excuse for this letter.

For some months past letters have been coming to me from our mutual friends, almost all of them referring to the great pressure under which you are working and the severe hours of work that have been imposed upon you. May I offer myself as an example of the consequences of trying to do too much one's self. I am writing this because you have just lost two valuable assistants in Mr. Malburn and Mr. Peters, and I hope that in this crises in our affairs where your labors mean so much to the nation, that you will take the wise course of selecting a staff of competent assistance to relieve you of the burden of detail and give you opportunity for some fresh air and recreation. I have been hoping to read in the newspapers that you have appointed a special staff of assistants to deal with the particular problems arising out of war and shall be grievously disappointed if you are not willing or do not find it possible to adopt that policy.

May I also venture one or two suggestions in regard to the financial program?

Under Chancellor McKenna's budget, Great Britain in the fiscal year ending March 31st collected over \$2,800,000,000 from taxes, a sum sufficient to discharge the present funded debt of the United States

To - Hon. W. G. McAdoo.

April 11, 1917.

Government and of every state, county and municipality. This country has more than twice the wealth of Great Britain and it should certainly be possible, by an equitable distribution of taxes, to pay a large proportion of our share of war expense by that means, rather than by permanent borrowings. England's financial history during the Napoleonic war, the Crimean war and the Boer war demonstrated that a program of war finance must be based upon tax revenues sufficient to meet the normal expenses of the Government, interest, sinking fund and a large margin in excess of that for security. I sincerely hope, therefore, that the Government will not hesitate to meet the present situation by an extensive program of taxation, equitably distributed among all classes.

We are about to ask the people of the country to subscribe to a very large loan, but must recognize that if the war continues it will be only the first of a number of such loans. I hope that the experience of the belligerent nations will govern our policy in arranging the terms of the pending loan. It is absolutely necessary that the loan should be over subscribed and sell instantly at a premium. What might appear to be an immediate loss to the Government in the rate of interest fixed in order that the loan shall bring a premium at once, will ultimately be a source of economy in the ease with which subsequent loans are placed and the certainty, if handled in that way, that subsequent loans may be placed on better terms than the original loan, which is the great desideratum. Therefore, I hope that Congress will vest in you all discretion necessary for determining the terms of the loans and that you will decide to make an issue at par, fixing the rate of interest and terms so that there will be no question as to the premium which it will command.

3.

To - Hon. W. G. McAdoo.

April 11, 1917.

These are just a few of the things that I would have had opportunity, no doubt, to express had I been able to attend the last conference of Governors.

Again assuring you of my hope and desire to be of some service to the Government and to you personally in connection with these matters, I beg to remain,

Sincerely yours,

Hon. W. G. McAdoo,
Treasury Department,
Washington, D. C.

BS/CC

Copy for Governor Strong.

April 20, 1917.

Dear Mr. Secretary:

We received at noon to-day Governor Harding's telegram stating that the rate on the certificates had been changed from $2\frac{1}{2}\%$ to 3% , and promptly communicated with the various institutions in this city which yesterday had given us subscriptions aggregating over \$100,000,000. They all expressed great satisfaction at the change in rate and were especially pleased to learn that both you and the Federal Reserve Board had appreciated their response to the issue on the original basis.

Please accept our warmest appreciation of your decision. It has completely changed the public attitude towards the new certificates, will greatly increase the number of buyers, and will create a broad market for them which will make them most desirable and liquid bank investments.

Respectfully yours,

Chairman.

Honorable W. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

PJ/RAH

129

May 7, 1917.

Honorable Wm. G. McAdoo,
Secretary of the Treasury,
Washington.

My dear Mr. Secretary:

I was very much touched and pleased by the kind things you said about my return when we had the pleasure of entertaining you at luncheon in New York last Friday. I take this means of expressing my deep appreciation, which I will do in person at the first opportunity.

I hear from New York that your remarks were received with the greatest enthusiasm, and have gone a long way toward giving this immense loan transaction just the kind of a start that is needed to make it a success.

Yours very truly,

129
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FILING DEPT.
AUG 23 1917
FEDERAL RESERVE BANK

August 22, 1917.

Dear Mr. Clagett:

I thank you for your letter of August 21st
advising me that Secretary McAdoo will see me on Monday,
August 27th at noon.

I expect to be in Washington at that time to
keep my appointment with the Secretary.

Very truly yours,

Governor.

M. B. Clagett, Esq.,
Private Secretary,
to Honorable W. G. McAdoo,
Washington, D. C.

BS/RAH

May 10, 1918.

Dear Mr. Secretary:

I am concerned and grieved to learn of your illness and hope it is neither serious nor painful. You will also always have in mind the importance to the country of your health and ability to carry on the great work you are doing.

This is just a line before leaving for a week's rest to congratulate you upon the magnificent success of the Third Liberty Loan. It surely was an achievement of the first order and one of which you will certainly be proud for the rest of your life.

After a short rest I am hoping to run over to Washington and have a little of your valuable time to discuss plans for the next loan. Mr. Jay has already handed you a memorandum covering much of the ground that we have discussed here. I am convinced that we must develop permanent organizations and make the work continuous the year round if we are to continue to realize the success of the last three loans.

With warmest regards and hoping that you will soon be on your feet again, I am,

Very sincerely yours,

Honorable W. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

BS/HGG

129

May 31, 1918.

Dear Secretary McAdoo:

I was very much pleased indeed to have your letter of the twenty-ninth this morning, but feel guilty in having added anything to your work when you are so hard pressed and not well. The fact is, I have been a good deal worried about you, and am not the only one by any means. Constant inquiries come to me every day about your real condition and whether you are seriously ill or simply worn out. I have reassured your many friends by telling them that after talking your voice out of action you developed laryngitis and finally had been persuaded to get rid of it by resting.

The Third Liberty Loan was a magnificent success. It was not only the amount raised, but the widespread enthusiasm and interest displayed by all classes of people. The organization in New York gave the radical socialists on the East Side a terrible jolt and much wonder is being expressed here as to the change of heart among that class of our people who had failed to respond in former loans.

Your letter gives me an opportunity to write a few words about the program of taxation. I am delighted that you had courage to insist upon tax legislation at this session and you will be pleased to know that almost without exception that is the feeling here in New York. There is a strong, insistent demand among business men here to see taxes increased scientifically so that the corporations and individuals that are benefitted in business profits by the war shall pay over in taxes a large portion of these war profits. They feel that a very large revenue can be collected for the Government without hardship on anyone by the imposition of scientific taxes of that character. Nor are they going to object to higher income taxes, particularly on unearned incomes as distinguished from working incomes.

No one knows better than I do how earnestly you desire these very things and if, in any way, I can be of assistance you will, I am sure, command me without hesitation.

Please take care of yourself. I return to you, reinforced, the sentiments expressed in the last paragraph of your letter.

With warmest regards, believe me,

Sincerely yours,

Honorable Wm. G. McAdoo,
White Sulphur Springs,
Virginia.

BS/MSB

129

June 15, 1918.

Dear Sir:

recd 196
6/13/18

In the absence of Mr. Strong from the city, I am sending you herewith copy of a telegram received this morning from Mr. J. F. Welborn, Denver, Colorado, which explains itself.

Mr. Strong will no doubt get in touch with you on Monday, on his return to the office.

Very truly yours,

Secretary to Mr. Strong.

Honorable William G. McAdoo,
White Sulphur Springs,
West Virginia.

GB
Encl.

129

June 15, 1918.

see 196
6/13/18

Dear Secretary McAdoo:

I have taken the liberty, without your knowledge, of telegraphing my friend J. F. Welborn, President of the Colorado Fuel and Iron Company, Denver, inquiring for information such as you will need in connection with your trip. The substance of his reply was telegraphed to you this morning.

Let me say that Welborn is a splendid fellow, a very warm friend, and he and his friend W. V. Hodges, another fine fellow, are exceedingly anxious to do everything in their power to give you just the kind of trip that you need. If you would feel willing to put yourself in their hands, you can surely rely upon their carrying out any wish that you express which would serve to protect you against entertainment or any other interference to your complete rest.

I know Colorado pretty well. While the altitude is stimulating, the weather is gorgeous at this season and you would be, in a few weeks, so thoroughly rested and restored that I feel sure the balance of this year would present no terrors when you came back refreshed and invigorated.

I would be tempted to invite myself to be your guide and companion were it not my knowledge that neither you nor I could keep away from constant discussion of all of our problems and perplexities, and that is just what you are going away to avoid.

I will keep you posted as I hear from Welborn and possibly between us we can put the Secretary of the Treasury back on his feet again.

With warmest regards,

Sincerely,

Honorable Wm. C. McAdoo,
White Sulphur Springs,
Virginia.

BS:MSB
Encs.

REGISTERED MAIL:

October 19, 1918.

Dear Secretary McAdoo:

It came to my knowledge that the President expected to be at the New Amsterdam Theatre Friday night of last week, and a number of the members of the Liberty Loan Organization went there in order to help along the celebration occasioned by his presence. You doubtless read that something like \$750,000 of bonds was sold by Mr. Hazard to the audience. Some of the members of our organization subscribed rather generously that evening and two or three of them have asked if it would be possible to obtain the President's autograph on a \$50.00 bond, as he did sign a number of bonds which were sold for cash in the audience. It just happened, as luck would have it, that we all seemed to arrive at the theatre strapped for cash in our pockets, and didn't have the money to buy the necessary \$50.00 bonds.

On the chance that you will not think this an unreasonable request on my part, particularly as two of the bonds are for our chairmen, including myself, I enclose three \$50.00 bonds by registered mail, and if it is possible to obtain the President's autograph on them, we would very greatly appreciate it.

Cordially,

Honorable Wm. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

BS/MSB
Encs.

GENERAL FILE
JUL 22 1921
FEDERAL RESERVE BANK
October 28, 1918. - YORK

My dear Secretary McAdoo:

I am most grateful to you for your courtesy in sending me those bonds bearing the President's autograph, and particularly for the one bearing your own, which you sent for me personally. Of course you realize that the Government will never be called upon to pay these bonds; they will be highly valued souvenirs of some work which we all enjoyed, but really of the privilege which we particularly enjoyed in doing some work for "Uncle Sam."

Many thanks for the good wishes and the good advice contained in your letter. Just to show you how much I value it, I am going to take it, as I am leaving on Wednesday for ten days' absence, and then after a short stay at the office ^{hope} to go away again.

With congratulations upon this fourth successful loan, and warmest regards, I am,

Very sincerely yours,

Honorable Wm. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

BS/M3B

November 25, 1918.

Dear Mr. Secretary:

I am writing this letter with the greatest possible reluctance and regret, for I realize that it is quite impossible to express my disappointment in learning of your decision to relinquish your office as Secretary of the Treasury, and the difference it will mean in my personal relations with your department.

No one, I believe, realizes, either in the Treasury or outside of it, what a splendid administration you have had quite so well as I do. It is best illustrated by a comparison of what has been done by the Treasury Department in this war and what happened during our Civil War. Through Secretary Chase, as I recall, the Government, shortly after the war broke out, paid as high as 12% for temporary loans. By the first of January, 1862, the Government, and practically all of the banks of the country, had suspended specie payment. In the later days of the war the Government sold its bonds bearing 6% interest at the equivalent of about 45% of par value, gold basis, and the entire cost of the war was less than a third the cost of this war, and much less than the total amount of the Fourth Liberty Loan. We abandoned sound principles of finance in favor of fiat money and started the country on the rampage of speculation, witnessing at one time, in consequence of our defective policy, a quotation of 280% for gold in exchange for paper money or bank credit.

When the history of the Treasury in this war comes to be written, it will be found that the Government never paid over 4 1/2% for bank loans or over 4 1/4% on its bonds; that there has not only been no premium on gold, but, in fact, that gold payment has been continued by every bank in the country, and by the Treasury as well; that we have adhered to sound banking and monetary principles; and that during this year and one-half bank failures have probably been less in number and amount than during any similar period for a great many years past.

I recite this simply to give you a very slight evidence of the extent of the loss which I believe the country suffers by your retirement. Your administration has been a notable success - a great personal achievement for yourself - and I know that you will be rewarded by the satisfaction which it affords you to have served your country so splendidly.

In conclusion let me say that I suffer a real and grievous personal loss to have our association ended.

11/25/18.

Wishing you in your future affairs success and happiness
and everything which you so justly deserve, I am,

Faithfully your friend,

Honorable Wm. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

BS/MSB

December 12, 1918.

Dear Secretary McAdoo:

Your letter is one of those letters which one receives now and then that gives a real glow. I am so glad to have you say that our association has been a pleasure to you. It has been a great pleasure to me, and an inspiration as well.

When you come to New York, whether it is to practice law, to go into business, or whatever it may be, I hope that I may be of some service in forwarding your plans, and, particularly, be counted one of your friends.

With warmest regards, believe me,

Very sincerely yours,

Honorable Wm. G. McAdoo,
Secretary of the Treasury,
Washington, D. C.

BS/MSB

LIBRARY

MAY 23 1919

FEDERAL RESERVE BANK

May 22, 1919.

on file

My dear Mr. McAdoo:

I am mighty glad to learn by yours of the nineteenth that you will be at the dinner on the twenty-eighth, and look forward to seeing you there.

I have refilled the caveat and just as soon as the schedule of changes is worked out will drop in to see you about it. I am frank to say, however, that the boys are very discouraging.

Cordially,

B.S.

Honorable Wm. G. McAdoo,
McAdoo, Cotton & Franklin,
120 Broadway, New York.

BS/MSB

LIBRARY

MAY 22 1919

FEDERAL RESERVE BANK

May 22, 1919.

My dear Mr. Shaffer:

Mr. Strong directs me to ask you to kindly convey to Mr. McAdoo his thanks and appreciation for the autographed photograph which he so thoughtfully sent to him.

As Mr. Strong desires to reciprocate, I take pleasure in forwarding at his request an autographed photograph of himself.

Yours very truly,

Encl.

Secretary.

J. M. Shaffer, Esq.,
Secretary to Mr. McAdoo,
120 Broadway, N.Y.C.

LIBRARY

MAY 23 1919

FEDERAL RESERVE BANK
May 22, 1919.

on file

My dear Mr. McAdoo:

Many thanks for your kind note of the twelfth. This last loan, I admit, worried me a bit, but you will be glad to know that our subscriptions in this district will probably be a billion and three-quarters on our quota of a billion three hundred and fifty million. And I am rather hopeful that we will be at the top of the list this time! You can not imagine what a relief it is to have the job behind me.

Many thanks to you for your fine help.

Cordially,

Honorable Wm. G. McAdoo,
McAdoo, Cotton & Franklin,
120 Broadway, New York.

BS/MSB

