

No. _____

013.1

Federal Reserve Bank

District No. 2

Correspondence Files Division

STRONG PAPERS

SUBJECT

STRONG'S CORRES. WITH H. HOOVER

1917 - 1923

- U.S. FOOD ADMINISTRATOR - 1917
- DIRECTOR GEN'L OF RELIEF, SUPREME ECONOMIC COUNCIL - 1919
- HEAD OF AMERICAN RELIEF ADMINISTRATION - 1919

SEE ALSO: TRIP, STRONG 1919

Snyder
Mr. R. B. Smith

December 27, 1923.

My dear Hoover:

Our Mr. Snyder has received a letter from your Mr. Grosvenor M. Jones, looking to the compiling of somewhat similar information to that which was previously obtained in regard to certain invisible items or international payments, and I am anxious, as you know, to do anything possible to further studies of this character. Unfortunately, last year we got rather unsatisfactory replies, and in some cases none at all, and in connection with these replies rather vigorous protest that the work involved was so considerable and the information so confidential that those to whom we sent the questionnaire were most reluctant to reply. There are in the neighborhood of 100 firms and institutions to be approached with the questionnaire, and in order to get any results at all, it will be necessary for me to make a rather personal matter of it, which I am reluctant to do, as we have burdened these same bankers with so many inquiries in the past that they are becoming rather restive.

Do you feel that there is any other method of approach? I am very certain that were the questionnaire sent out by the Department of Commerce, the replies would be negligible because of the reluctance of investment houses to give information to a department of the Government. This is deep-rooted and widespread. Before doing anything further, therefore, I am writing to get your best advice and a more definite expression of your wishes.

Yours very truly,

Honorable Herbert Hoover,
Department of Commerce,
Washington, D. C.

DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

November 21, 1923.

•Mr. Carl Snyder,
Federal Reserve Bank of New York,
15 Nassau St.,
New York, N. Y.

IN REPLY REFER TO 24

Dear Mr. Snyder:

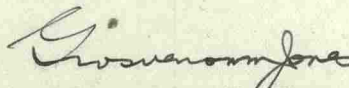
The Bureau is making preparations for getting out the study of the balance of international payments of the United States for 1923. This year the Bureau will do this work alone. Moreover, it is Mr. Hoover's wish that the study be issued in January next, if possible. In connection with the study for 1922 the Federal Reserve Bank of New York was good enough to send out to banks and bankers in its district a questionnaire on the purchase and sale of foreign securities and currencies. The results of this questionnaire were very valuable, and as the items mentioned will probably loom up large in the study for 1923, it would be very much appreciated if the Reserve Bank would perform the same service this year. In order to get out the study early in January, it is thought advisable to have the questionnaire sent out early in December, and to have the data reported as of December 1. While it would be more logical to have the data as of December 31, it is felt that the banks will be pretty busy around the first of the year with the closing of their books and making up of annual reports, and that a month's difference will not vitally affect results.

The form of the questionnaire will be slightly changed in order to make the questions somewhat more specific.

Will you kindly let me know whether the Reserve Bank is willing to undertake this work?

I trust that you had a fine summer in Europe, and I hope to hear more of the results of your studies when next I see you. With kind regards, I am

Very truly yours,



Grosvenor M. Jones,
Chief, Finance and Investment Division.

ADDRESS ALL COMMUNICATIONS TO
BUREAU OF FOREIGN AND DOMESTIC COMMERCE
WASHINGTON, D. C.

[1923]

DEPARTMENT OF COMMERCE
OFFICE OF THE SECRETARY
WASHINGTON

TO BUSINESS EXECUTIVES.

May I bring to your attention a phase of the work of the United States Department of Commerce which is especially designed for the assistance of American business men, and in which every American business man, I believe, ought to participate.

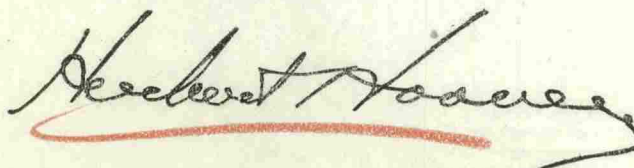
I refer to COMMERCE REPORTS, the weekly survey of foreign trade, issued by the Bureau of Foreign and Domestic Commerce, which is published for the purpose of informing the business and industry of the United States as to economic developments abroad, and pointing out to American business men opportunities for the sale of American goods.

Whether you are actually engaged in shipping merchandise abroad or not, the Department feels that every business enterprise in this country, consciously or unconsciously feels the effects of a depression or a prosperous era in our international trade, and that therefore these executives should have access to reliable and authentic information on the phenomena affecting its conduct. More than 1,000 correspondents, located in practically all the markets of the world, collect this information which is classified, digested by experts, and published weekly in COMMERCE REPORTS.

It is of importance in the extension of our foreign commerce that this service should receive as wide distribution as possible and it is the desire of the Department that COMMERCE REPORTS should be available to the commercial community in every part of the United States.

Under the law a fee of \$3 per annum is payable for COMMERCE REPORTS and \$1 for the supplement (the monthly Survey of Current Business) this being the actual cost of paper and printing. I would be glad if you would give consideration to the matter of assisting us in its wider distribution by subscribing, and further by bringing the publication to the attention of your associates.

Yours faithfully,



Secretary of Commerce.

DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

August 11, 1922.

IN REPLY REFER TO 42

REPORT ON STOCKS OF BITUMINOUS COAL
IN THE HANDS OF THE RAILROADS,
AS OF AUGUST 1, 1922.

The report of the American Railway Association on stocks of bituminous coal in the hands of the railroads as of August 1, 1922, shows that the carriers had 5,967,404 tons in cars or in stock piles, which is a decrease of 1,746,644 tons from the amount so held on July 15th.

The average daily consumption for the period from July 15, to August 1, was 291,193 tons, or an increase of 12,237 tons over the similar figure for the first half of July. During the latter half of July the carriers consumed, on the average, 117,140 tons per day from their stock on hand, which is an increase of over 33,000 tons per day over the similar figure for the first half of July.

Four railroads increased their stock on hand on August 1, slightly over the amount held on July 15, while the rest of the 283 roads reporting had decreased stocks. The remarkable part of the report is the increase in consumption, the Southern Railway leading with an increase of 2,500 tons per day or 23%; the Pennsylvania with an increase of 2,000 tons per day; and 258 other roads with an increase of 13,760 tons per day, or about 10%. Out of the 283 roads included in the statement, 267 reported increased daily consumption for the last half of July over the first half of the month.

The statement shows for the first time the full restriction effect of the railroad shopmen's strike upon the movement of coal to railroads, as indicated by decreased receipts and increased consumption from stocks.

The following statement shows the amount of coal loaded at the mines, the railroad receipts for the same period and the percentage:

ADDRESS ALL COMMUNICATIONS TO
BUREAU OF FOREIGN AND DOMESTIC COMMERCE
WASHINGTON, D. C.

<u>Month</u>	<u>Tons Loaded at Mines.</u>	<u>Railroad Receipts.</u>	<u>Percentage.</u>
April	13,624,700	3,558,000	26%
May	17,936,350	4,314,000	24%
June 1 to June 15,	6,697,350	3,213,000	33%
June 15 to July 1.	10,167,800	3,174,254	31%
July 1 to July 15	8,217,400	2,921,016	36%
July 15 to Aug. 1.	7,541,500	2,621,251	35%

The following statements showing the information for the carriers as a whole are self explanatory:-

<u>Month</u>	<u>Total Consumption</u>	<u>Consumed from Current Coal Received</u>	<u>Consumed from Stock</u>
April	8,350,000	3,520,000	4,830,000
May	8,520,000	4,205,000	4,315,000
June 1 to June 15	4,300,000	3,015,000	1,285,000
June 15 to July 1	4,490,000	3,094,000	1,396,000
July 1 to July 15	4,180,000	2,921,000	1,260,000
July 15 to Aug. 1	4,368,000	2,611,000	1,757,000

<u>Day</u>	<u>Stocks on Hand</u>	<u>Total Daily Average Consumption</u>	<u>Daily Average Consumption From Stock</u>	<u>Days' Supply on Hand *</u>
April 1	19,843,833	271,000	----	----
May 1	15,052,268	278,000	160,970	94
June 1	10,846,567	283,947	143,380	75
June 15	10,286,778	286,349	79,148	130
July 1	8,973,032	299,333	93,080	96
July 15	7,714,048	278,956	84,000	92
Aug. 1	5,967,404	291,193	117,140	51

* Based only upon that portion being actually taken from stock at the rate established during the months of April and May, the first half of June, the last half of June, and the first half of July, respectively.

DEPARTMENT OF COMMERCE
OFFICE OF THE SECRETARY
WASHINGTON

ACKNOWLEDGED

AUG 14 1922

R. S.

August 11, 1922

Mr. Benj. Strong
Federal Reserve Bank
New York City

My dear Strong :

Your statement of August 10th is correct except that experience April first has demonstrated that the invisible supply of coal was rather larger than anticipated at that time and our reconstructed estimate on August first was that the total coal and stocks was then about 20,000,000 tons.

Yours faithfully,

HHAA

Herbert Hoover

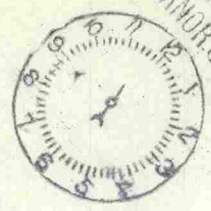
*Enclose a confidential statement on
Railway coal.*



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RECEIVED BY
GOVERNOR'S SECY
AUG 12 1922



RECEIVED

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DATE RECEIVED

about 20,000,000 tons.
on which that was that the total cost and stocks was
substantiated at that time and our reconstructed estimate
that the total cost of coal was rather larger than
expected that experience with that has demonstrated
that statement of which I am to collect
is best group :
New York City
Federal Reserve Bank
St. Paul, Minn.

AUGUST 11, 1922

WASHINGTON
OFFICE OF THE SECRETARY
DEPARTMENT OF COMMERCE

11 2
AUG 14 1922

ACKNOWLEDGED

PERSONAL

August 10, 1922.

My dear Hoover:

I would greatly appreciate your advising me if the following figures are reasonably accurate:

(1) There is reported to be practically no anthracite coal in storage and almost none being produced.

(2) On or about April 1 it was estimated that there were about 65 million tons of bituminous coal - at the outside, possibly 70 million tons - in visible supplies.

(3) The reported output for the four months - April to July inclusive - is placed at 74 million tons, from which we have a total of 144 million tons to cover the four months consumption.

(4) The estimate of weekly consumption of bituminous coal throughout the United States is 8 million tons, making a total of 128 tons for the four months.

(5) These figures indicate an available supply of storage coal at the present time of about 16 million tons, or for the whole country two weeks supply. The figure must be modified to the extent that difficulties of distribution, etc., make the available supply practically much less than these figures indicate.

I am sending the above just to check up for our information department.

Yours sincerely,

Honorable Herbert Hoover,
Department of Commerce,
Washington, D. C.

August 1, 1922.

RAILROAD STRIKE MEETING

Around seven o'clock (New York time) last evening, Secretary Hoover called me on the phone and asked if I thought it wise, and if so, if it would be possible for me to arrange for him to meet some of the financial men of the city early this morning - say at ten o'clock - so as to discuss the strike situation with them prior to his meeting with the railway executives at twelve o'clock. I had previously had some discussion of the possibilities of such a meeting with Mr. Hoover when I was in Washington the previous week. As it seemed desirable to arrange the meeting, it was held at ten o'clock this morning, and the following gentlemen were present:

Charles Peabody, President, Mutual Life Insurance Company
E. R. Stettinius, Partner, J. P. Morgan & Company
Thos. Cochran, " " " " "
Jackson E. Reynolds, President, First National Bank
Charles E. Mitchell, President, National City Bank
Charles H. Sabin, Chairman, Board of Directors, Guaranty Trust Company
Frederick Strauss, Partner, J. & W. Seligman & Company
G. W. Davison, President, Central Union Trust Company
John J. Pulleyn, President, Emigrant Industrial Savings Bank
Mortimer L. Schiff, Partner, Kuhn, Loeb & Company
James S. Alexander, President, National Bank of Commerce.
Mr. Jay and Mr. Strong also attended the meeting.

In addition to those attending the meeting, an effort was made to secure the attendance of Mr. Speyer, who is in Europe - Mr. Dryden of the Prudential Life, who is in Europe - Mr. Day of the Equitable Life - Mr. Fisk of the Metropolitan Life - Mr. Dennis of Blair & Company - Mr. Wiggin of the Chase National Bank - Mr. Prosser of the Bankers Trust Company, and one or two others, but for one reason or another none of these gentlemen could attend.

Mr. Hoover reviewed the entire strike situation both as to coal and railroad operations. He explained what the Administration felt it was necessary to do, and stated that inasmuch as important and possibly radical measures might have to be taken if an adjustment of the railroad strike could not be arranged to-day, he felt that it was desirable and fair that the men of such influence in financial

as those attending the meeting should be informed.

He was careful to explain that he was not asking them to bring any pressure or exert any influence upon the railroad executives. The object of the meeting was simply to make sure that the important financial interests of the city had accurate and timely information on the subject of the strike situation. The discussion at the meeting - which lasted until 11:15 - brought out very clearly

1. That the crux of the railroad strike situation was the adjustment of seniority.

2. That all parties appeared to be willing to abide by decisions of the Railroad Labor Board.

3. That the railway executives - at least a large number of them - and those bankers who had railroad affiliations were pretty clear in their minds that they could not violate their obligations to the men who had not struck and to the new employes in the way which would be involved were they to restore the strikers to their former priority positions.

4. That the sentiment - at least on the part of those who spoke - leaned towards standing pat in the present situation rather than in making a surrender on the question of seniority, which would possibly have the effect of strengthening the hands of the coal strikers.

5. That some of those present did not associate the relations between the coal and the railroad strikes in quite the same way that Mr. Hoover did, and felt that it was better to go through the ordeal of fighting them both rather than give way on seniority so as to have the advantage of dealing with the coal strike alone.

Mr. Hoover took the position that the adjustment of the seniority question by taking the old men back would not be a surrender of a character which would impair the prestige of the Railroad Labor Board, and if that were done, similar tribunals could be established for other divisions of organized labor with good effect.

The meeting adjourned without any particular action being taken, and following Mr. Hoover's statement, which occupied about half an hour, there was simply informal general discussion by those present which created the impressions listed above.

*Unemployment
Conf.*

June 19, 1922.

Dear Mr. Secretary:

Thank you for your nice note of June 5, containing a reproduction of the President's letter of May 22, commenting upon the work of the Unemployment Conference.

My only regret is that the Federal Reserve conference which was being held at the same time prevented my giving as much assistance to you in that matter as your fine efforts certainly deserve.

With kindest regards, believe me,

Yours very truly,

Honorable Herbert Hoover,
Department of Commerce,
Washington, D. C.

BS.MM

THE WHITE HOUSE
WASHINGTON

May 22, 1922.

My dear Mr. Secretary:

Now that the revival of employment through the country - except for the strikes - has so greatly improved our situation that our anxieties in this particular are largely removed, I wish to extend my gratitude to every one of the great body of our citizens who gave such efficient service in the organizations set up and coordinated under the Unemployment Conference of last autumn. The conference members and its Standing Committees deserve great credit for the successful inauguration and stimulation of the great simultaneous movement in the community, and its continuing organization, which has so greatly succeeded in the mitigation of what otherwise would have been great suffering.

We have passed the winter of the greatest unemployment in the history of our country. Through the fine coordination and cooperation among federal and state officials, mayors and their committees of employers, relief organizations and citizens, we have come through with much less suffering than in previous years, when unemployment was very much less. So much has this been the case that except for the intensification of public works by the federal, state and municipal governments, the demand for aid to the unemployed from the federal treasury disappeared in the country. Only two or three of our larger cities failed to secure cooperation to the best advantage.

For this inspiration, organization and coordination of the community, and for the forces making for common action, the Unemployment Conference and its Standing Committees deserve great credit for a work quietly and efficiently carried out.

In this note of appreciation I wish to include the Secretary of Labor, and Colonel Arthur Woods, the director of the work.

Yours faithfully,



Hon. Herbert Hoover,
Secretary of Commerce,
Washington, D. C.

DEPARTMENT OF COMMERCE
OFFICE OF THE SECRETARY
WASHINGTON

ACKNOWLEDGED

JUN 19 1922

R R

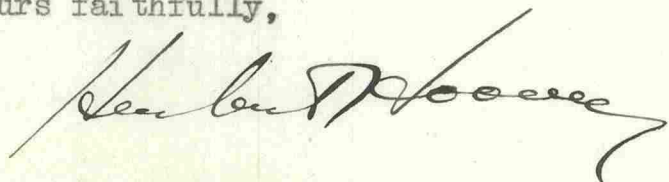
June 5, 1922.

Mr. Benjamin Strong,
15 Nassau St.,
New York, N.Y.

Dear Sir:

I have the pleasure of transmitting to you a letter from the President expressing his gratitude for the service that you have given to the Federal Government in the cooperative measures taken for the alleviation of unemployment. The business tide has turned and unemployment is decreasing so rapidly that we have safely passed the crisis. Many of the community committees inaugurated by the Conference have settled themselves into permanent bodies for the better care of employment and unemployment in industry. Furthermore, the studies in fundamental questions inaugurated under sub-committees by the Unemployment Conference are making good progress, and these measures together with the experience gained during this winter should all give continuing results of constructive character in dealing with these problems of the future.

Yours faithfully,



HH: J

ACKNOWLEDGED

JUN 19 1932

17 4

June 5, 1932.

DEPARTMENT OF COMMERCE
OFFICE OF THE SECRETARY
WASHINGTON

JUN 17 1932



RECEIVED BY
GOVERNOR'S SECY

Mr. Benjamin Strong
15 Nassau St.
New York, N.Y.

Dear Sir:

I have the pleasure of transmitting to you a letter from the President expressing his gratitude for the service that you have given to the Federal Government in the cooperative measures taken for the alleviation of unemployment. The business tide has turned and unemployment is decreasing so rapidly that we have safely passed the crisis. Many of the community committees inaugurated by the Conference have settled themselves into permanent bodies for the better care of employment and unemployment in industry. Furthermore, the studies in fundamental questions inaugurated under the auspices of the Unemployment Conference are making good progress, and these measures together with the experience gained during this winter should all give continuing results of constructive character in dealing with these problems in the future.

Yours faithfully,

17

[From B. Strong]

C O P Y

FEDERAL RESERVE BANK
OF NEW YORK

April 22, 1922.

Dear Mr. Secretary:

In this letter I hope to state to you the principal points which were brought out in our discussion of means for overcoming the difficulties which are inherent in the development of our foreign trade while it continues to be subject to the hazards of violent and unregulated fluctuations in the values of foreign currencies, that is to say, in the rates for foreign exchange.

The nature and extent of these exchange hazards need not be described; they are familiar to all who have studied or had experience with that subject.

The task now before us is to deal with the causes of the fluctuation in such a way that it becomes safe for certain nations which are now or will shortly be in position to do so, to return to the gold standard, to resume free gold payments, and as a consequence to maintain their currencies at parity with ours.

Certain causes for excessive exchange fluctuation with certain countries have already been minimized or have disappeared and may be disregarded.

These are: (a) Excessive trade balances caused by demands for goods arising out of the war.

(b) Interruption of international remittances for the use of travellers; or by aliens residing in one country to relatives in another country.

(c) Large loans between the governments for war purposes.

(d) Interrupted shipping.

No argument is needed to support the statement that these causes have until recently been disturbing to the exchanges between certain of the countries. They have now been so reduced in importance, or so nearly eliminated, as to warrant their being ignored.

April 22, 1922.

As to causes of disorder in exchange remaining to be dealt with, I should say that they are principally:

- (a) The continuance of inflation of the currencies of various countries whose budgets are not in balance, and where generally sound monetary and fiscal policies continue to be beyond control.
- (b) The abandonment of the gold standard and suspension of free gold payments both domestic and international.
- (c) Demands upon Germany for payment of reparations in cash in excess of Germany's capacity to pay under present conditions, and which will continue excessive so long as present policies are pursued by the German Government with respect to government finance and the management of German economic affairs generally.
- (d) The possible requirement for payments of interest and principal of debts owing between the Allied Governments and our own which might prove to be in excess of the capacities of the respective debtor nations to meet without endangering the gold standard and free gold payment should they be restored.

The question is how to deal with these respective causes so that any plan for stabilizing certain of the exchanges may have reasonable assurance of permanency. Before suggesting a plan, I must emphasize the danger of adopting any of the various proposals which assume to deal with the entire subject of the exchanges by one general scheme, just as though the causes and extent of the disorder were alike in all countries. Any such plan is doomed to failure. The following proposal is based upon the assumption that the exchanges of certain countries, by reason of more stable and more favorable conditions, may in fact be dealt with by one general plan, and that all others must be subsequently dealt with by separate schemes applicable to their varying conditions.

The conditions of stability to which I refer are:

- (a) Reasonably well balanced government budgets.
- (b) No excessive currency inflation, and consequently a less serious dis-

count upon the currency.

(c) A reasonably well balanced foreign trade.

(d) A government debt not in excess of the capacity of the people to support by taxation.

(e) A sound and well managed bank of issue.

(f) A reasonably large gold reserve held by the bank of issue.

The European nations which fall within this description in greater or less degree are the following: Holland, Switzerland, Sweden, Norway, Denmark, probably Spain and Great Britain. In the East: Japan. And in South America: At least Argentina. In North America: Canada.

It will be observed that if the currencies of these countries can be maintained at parity with the dollar, the great mass of the world's international trade and of our trade with the rest of the world will be relieved of exchange hazards. Much of the trade of the East is financed in dollars, sterling, yen and guilders. The trade of South America is largely financed in dollars and sterling. It will in fact reduce the exchange problems to such a point that those nations, such as France, Italy, Belgium, Germany, Russia, and Middle Europe, will then be in a class by themselves, each to be separately dealt with according to the character and extent of their difficulties.

Any plan devised for dealing with the exchanges of the countries first named should be based upon the well recognized fact that free gold payment cannot be successfully maintained except the central bank has a gold reserve adequate to convince the people that its notes will be freely paid in gold upon demand, and that an export movement of gold is not likely to arise in excess of the ability of the bank to meet it. Under those conditions gold will not be withdrawn for domestic hoarding and a demand for gold for export can be met by credit.

If, as assumed, the conditions relating to the countries first named above are as described, the arrangement would simply contemplate a large gold credit to their banks of issue by the Federal Reserve System, to be drawn upon in case of need,

not necessarily for the purpose of making domestic gold payments, the need for which, if it arose, would likely not be large, but in point of fact to enable the bank of issue to maintain the exchange at a point where it was no longer profitable to export gold to this country. The "credit" would indeed be available to take the place of a demand for gold for shipment; the mere fact of its availability would limit and likely prevent the development of a considerable demand.

The details of any such plan must, of course, be worked out by conference of the managers of the respective banks of issue.

The situation with the nations named is somewhat analagous to that of the United States Treasury in 1878, when Sherman was Secretary of the Treasury. By that time the revenues of our government exceeded expenditures, the national debt was being reduced, our foreign trade was in balance, and the Treasury had accumulated a store of gold. Sherman then made the statement that "The way to resume is to resume." He realized that general appreciation of the Treasury's ability to pay gold would protect the Treasury against a drain of gold, and in fact it developed that when gold payment was resumed in January, 1879, only 50 or 100 people appeared at the Subtreasury in New York with greenbacks for redemption. But little gold was paid out, and within an hour or two the country was back on a gold basis, the gold premium had disappeared, the exchanges were normal, and gold was no longer demanded.

The danger of breakdown of an arrangement such as described, is in my opinion now reduced to two principal difficulties: One is the possibility of demands upon Germany for reparation payments in excess of the capacity of the German people to pay. The other is the possible adoption of too rigid plans for requiring payment of interest and principal of the debt owing to this government by foreign governments and correspondingly of debts owing between them in excess of the capacity of the debtors to pay.

As to the first difficulty it would arise as the result of the German Government adopting various desperate means for obtaining foreign credits with which to meet reparation demands and converting those credits through exchange arbitrage into the currencies of the creditor nations without regard to the effect upon the exchanges.

April 22, 1922.

This danger can be eliminated in my opinion by establishing the following principles to govern reparation payments:

(a) That they shall not be in excess of capacity.

(b) That those made in "cash", that is, in credit transfers as distinguished from transfers of goods, shall be strictly limited and subject to control from time to time.

(c) That the German Government shall promptly adopt a sound fiscal and monetary policy.

(d) That the negotiation of credit by Germany in foreign countries shall be subject to supervision.

As to the second difficulty, it will arise in the first instance, if at all, as the result of fixed payments which may soon be made upon the debt owing to the United States by Great Britain.

A method of dealing with this difficulty is possible, although it might be found that the existing legislation does not confer sufficient authority upon the World War Debt Refunding Commission. In brief, it would contemplate that while the greater portion of the debt may now be funded in a form requiring fixed payments of interest and principal at definite dates, that at least some portion shall be expressed by obligations for indeterminate payment according to the position of the exchanges.

That is to say, if sterling should not only be restored to parity, but advance to a premium beyond the gold shipping point, so that we might be called upon to make heavy shipments of gold to England, we would then be in position to call upon England to increase the rate of payments so as to prevent an excessive gold export movement. We would in a word ship them their obligations instead of our gold. Conversely, should dollars return to a premium and sterling be at a discount so that gold might move from England to this country, some part of the amount to be paid by England could thereupon be temporarily deferred. This might be done by

April 22, 1922.

vesting in the President, the Funding Commission, or some officer of the government, the right to accept short time interest bearing obligations for given payments pending restoration of the exchanges. Roughly, I should suppose that such authority could be limited to periods not exceeding say six months, with authority for say one or two renewals, and that the amount of payments so to be deferred need not at any one time exceed a total of \$150 to \$250 millions. This plan again would be based upon the sound principle that the return of a premium on dollars vis à vis sterling would be an indication that payments being made by England were in excess of capacity and should temporarily be suspended. In this connection, it should also be borne in mind that the South African gold mines will shortly resume production and again form an important contribution to the capacity of England to make payments in this country.

If any such principle were established in dealing with the debt owing to our government by Great Britain, it should likewise be applied to the debt owing to us by other governments, and to the debts owing by the Allied Governments between themselves, so that whenever payments upon any such debts became a menace to the stability of the exchanges between those countries which had resumed gold payments, an increase or decrease of amounts paid could be employed to assist in maintaining stable exchange and protecting the reestablished gold standard.

In resume, therefore, the above suggestions contemplate:

(a) That any plan for stabilization of exchange rates be confined at the outset to those countries which present favorable conditions for permanency.

(b) That it be effected by means of a gold credit to be extended by the Federal Reserve Banks as a private arrangement between the banks of issue of the respective countries.

(c) That the danger of failure of the plan because of excessive payments of reparations may be controlled as the result of a limitation of the amount of payments to be made by Germany in foreign exchange.

April 22, 1922.

(d) That the danger of the failure of the plan because of payments upon the debt owing to the United States Government be eliminated by introducing a flexible plan as to some portion of the amount to be paid.

With so much accomplished towards the restoration of stable exchange conditions, any further control attempted to be exercised should be through the individual action of the respective nations whose budgets and currencies are in such disorder as to require some more radical readjustment than is contemplated in this plan.

Probably no legislation will be required to enable the Federal Reserve Banks to extend the credit contemplated.

Some legislation might be required to introduce the necessary flexibility into the scheme of payments of debt owing to the United States.

A formula for such flexibility in specific terms can be prepared if desired.

Three additional copies of this letter will be sent for your use, and I am sending one additional copy to Assistant Secretary of the Treasury Wadsworth.

I beg to remain,

Yours very truly,

Benj. Strong,
Governor.

Honorable Herbert Hoover,
Department of Commerce,
Washington, D. C.

BS:MM

(IH)

December 19, 1921.

Dear Sir:

In Mr. Strong's absence I acknowledge receipt of your letter to him of December 17, together with the report of the President's Conference on Unemployment, which I am sure Mr. Strong will enjoy reading upon his return.

Thanking you, I am,

Yours very truly,

Secretary to Mr. Strong.

Honorable Herbert Hoover,
Secretary, Department of Commerce,
Washington, D. C.

GB:MM

THE PRESIDENT'S CONFERENCE ON UNEMPLOYMENT

DEPARTMENT OF COMMERCE

WASHINGTON

ACKNOWLEDGED

DEC 19 1921

R S

December 17, 1921.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank of New York,
15 Nassau Street,
New York City.

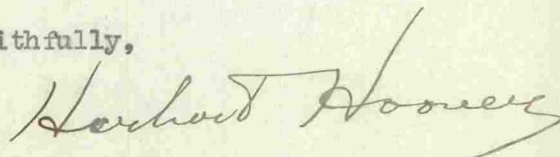
Dear Mr. Strong:

As one who aided in the success of the President's Conference on Unemployment, you will be interested in the printed record of the Conference findings, which I am sending you.

The results of the conference are evident on every hand; in action by municipalities, by states in creation of emergency committees, by employers and labor in co-operation, by establishment of short time work, and in many other directions. Unemployment has been so mitigated as to remove the greater anxieties of the matter for the present, although relapse of effort and winter conditions may necessitate increase of measures before the winter is over.

The more permanent work laid out by the conference is being organized and if sufficient funds can be secured to warrant thorough work, it will be pressed.

Yours faithfully,



HH:B

GOVERNOR'S SEC'Y.



DEC 19 1921

WASHINGTON

DEPARTMENT OF COMMERCE

DEPARTMENT OF COMMERCE
OFFICE OF THE SECRETARY
WASHINGTON

READ AND NOTED,
B. S.

November 8, 1921.

Honorable Benjamin Strong,
Governor of Federal Reserve Bank,
New York City.

My dear Governor Strong:

I have your letter of October 31st
with regard to Mr. Eigo Fukai. I will be de-
lighted to see him when he comes to Washington.

Faithfully yours,

Herbert Hoover

HH-W.

RE-4

NOV 9 1937
1:33 PM
RECEIVED
U.S. DEPT. OF COMMERCE
WASHINGTON

It is requested to see that when reference is made to Washington
after referring to Mr. E. W. Roper, I will be re-
I have been referred to October 21st
in your confidential person:

NEW YORK CITY
COMMISSIONER OF FEDERAL RESERVE BANK
HONORABLE BENJAMIN S. BROWN

November 8, 1937

WASHINGTON
OFFICE OF THE SECRETARY
DEPARTMENT OF COMMERCE

RECEIVED
NOV 9 1937

October 31, 1921.

My dear Hoover:

With this I am enclosing a copy of a letter of introduction which I have just sent to my friend, Mr. Eigo Fukai, which will explain itself. His quarters while in Washington will be with the Japanese Delegation to the Conference on Limitation of Armament.

Mr. Fukai was one of the financial advisers to the Japanese Delegation to the Peace Conference in Paris. At one time he represented the Bank of Japan in London, and when a young man was private secretary to Marquis Matzukata.

Mr. Fukai speaks English fluently and is one of the best informed men that I met in Japan.

I shall greatly appreciate any courtesies that you are able to show him, and especially any assistance which you are able to render him during his stay in Washington.

Thanking you in anticipation, and with cordial regards, believe me,

Yours very truly,

Honorable Herbert Hoover,
Secretary, Department of Commerce,
Washington, D. C.

BS:MM
Enc.

October 31, 1921.

My dear Mr. Secretary:

This letter will be presented to you by my friend, Mr. Eigo Fukai, Deputy Governor of the Bank of Japan, who is visiting this country as financial adviser to the Japanese Delegation attending the Conference on Limitation of Armament.

Mr. Fukai is a warm personal friend with whom I have had many most enjoyable visits while in Japan, and from whom I received many courtesies while there. I am anxious that he should become acquainted with you and with the members of the Department of Commerce.

Anything that you are able to do to make his visit in Washington an enjoyable and profitable one will be greatly appreciated by

Yours faithfully,

Honorable Herbert Hoover,
Secretary of the Department of Commerce,
Washington, D. C.

BS:MM

775
Washington, D. C., October 24, 1921.

Mr. Dear Mr. Hoover:

The enclosed letter from Congressman Moore of Illinois together with my reply explain themselves.

Sincerely yours,

Hon. Herbert Hoover,
Department of Commerce,
Washington, D. C.

Enclosure.

*Oct. 17, 1921
no copy retained
but original requested back.*

September 24, 1921.

Dear Mr. Secretary:

I think I shall send you the enclosed copy of a letter which I am to-day writing to Secretary Hughes, together with copies of the cables referred to.

Mr. Jay, as you know, is an officer of the Federal Reserve Bank of New York and chairman of our board of directors. I have great confidence in his judgment and the conservatism with which he always expresses his views.

The picture presented by these two cables indicates the likelihood on the one hand of a collapse in Austria if the possibility of some constructive aid is not shortly forthcoming, and on the other hand, the prospect in any event that some sort of food relief will be required in the near future.

Your own familiarity with the situation in Austria will doubtless give emphasis to the importance of these communications.

May I ask you to advise me whether in your opinion it would be desirable or possible to indicate to Governor Norman that there will be no impropriety in direct representations being made to our Government as to the need for assistance and direct inquiry being addressed as to whether such assistance could be in part rendered by this country.

I am expecting to attend the conference on Monday, but I shall unfortunately be obliged to be in New York on Tuesday, and I fear that engagements, of which I advised you this week, will prevent my being in attendance during a part of the time when the conference is in session.

I am taking the liberty of sending you this word to-day so that you may adjust any work expected of me with regard to my possible absence.

Very truly yours,

Honorable Herbert Hoover,
Secretary of Commerce,
Washington, D. C.

September 23, 1921.

Dear Mr. Secretary:

With this I am enclosing a study which has been made by the department of statistics of the bank relating to the subject of unemployment, which I believe you will find worth reading. Further material is in course of preparation and will be here, I hope, not later than Monday.

My attention was especially directed to one feature brought out in this study; to wit, that the amount of employment in 1920 as compared with 1910 does not appear to be unduly high.

Between now and Monday I hope to have opportunity to discuss the enclosed statement with you, and hope that you will find opportunity to send a reply to Room 181, Treasury Building, or possibly by telephone, extension No. 705. If I am not in the building the message can be taken for me and will be promptly transmitted.

Very truly yours,

Benj. Strong
Governor.

Honorable Herbert Hoover,
Department of Commerce,
Washington, D. C.

*[See Letter
to Muller May 15, 1922]*

April 22, 1922.

Dear Mr. Secretary:

In this letter I hope to state to you the principal points which were brought out in our discussion of means for overcoming the difficulties which are inherent in the development of our foreign trade while it continues to be subject to the hazards of violent and unregulated fluctuations in the values of foreign currencies, that is to say, in the rates for foreign exchange.

The nature and extent of these exchange hazards need not be described; they are familiar to all who have studied or had experience with that subject.

The task now before us is to deal with the causes of the fluctuation in such a way that it becomes safe for certain nations which are now or will shortly be in position to do so, to return to the gold standard, to resume free gold payments, and as a consequence to maintain their currencies at parity with ours.

Certain causes for excessive exchange fluctuation with certain countries have already been minimized or have disappeared and may be disregarded.

These are: (a) Excessive trade balances caused by demands for goods arising out of the war.

(b) Interruption of international remittances for the use of travellers; or by aliens residing in one country to relatives in another country.

(c) Large loans between the governments for war purposes.

(d) Interrupted shipping.

No argument is needed to support the statement that these causes have until recently been disturbing to the exchanges between certain of the countries. They have now been so reduced in importance, or so nearly eliminated, as to warrant their being ignored.

April 22, 1922.

As to causes of disorder in exchange remaining to be dealt with, I should say that they are principally:

- (a) The continuance of inflation of the currencies^{of} various countries whose budgets are not in balance, and where generally sound monetary and fiscal policies continue to be beyond control.
- (b) The abandonment of the gold standard and suspension of free gold payments both domestic and international.
- (c) Demands upon Germany for payment of reparations in cash in excess of Germany's capacity to pay under present conditions, and which will continue excessive so long as present policies are pursued by the German Government with respect to government finance and the management of German economic affairs generally.
- (d) The possible requirement for payments of interest and principal of debts owing between the Allied Governments and our own which might prove to be in excess of the capacities of the respective debtor nations to meet without endangering the gold standard and free gold payment should they be restored.

The question is how to deal with these respective causes so that any plan for stabilizing certain of the exchanges may have reasonable assurance of permanency. Before suggesting a plan, I must emphasize the danger of adopting any of the various proposals which assume to deal with the entire subject of the exchanges by one general scheme, just as though the causes and extent of the disorder were alike in all countries. Any such plan is doomed to failure. The following proposal is based upon the assumption that the exchanges of certain countries, by reason of more stable and more favorable conditions, may in fact be dealt with by one general plan, and that all others must be subsequently dealt with by separate schemes applicable to their varying conditions.

The conditions of stability to which I refer are:

- (a) Reasonably well balanced government budgets.
- (b) No excessive currency inflation, and consequently a less serious discount upon the currency.

(c) A reasonably well balanced foreign trade.

(d) A government debt not in excess of the capacity of the people to support by taxation.

(e) A sound and well managed bank of issue.

(f) A reasonably large gold reserve held by the bank of issue.

The European nations which fall within this description in greater or less degree are the following: Holland, Switzerland, Sweden, Norway, Denmark, probably Spain and Great Britain. In the East: Japan. And in South America: At least Argentina. In North America: Canada.

It will be observed that if the currencies of these countries can be maintained at parity with the dollar, the great mass of the world's international trade and of our trade with the rest of the world will be relieved of exchange hazards. Much of the trade of the East is financed in dollars, sterling, yen and guilders. The trade of South America is largely financed in dollars and sterling. It will in fact reduce the exchange problem to such a point that those nations, such as France, Italy, Belgium, Germany, Russia, and Middle Europe, will then be in a class by themselves, each to be separately dealt with according to the character and extent of their difficulties.

Any plan devised for dealing with the exchanges of the countries first named should be based upon the well recognized fact that free gold payment cannot be successfully maintained except the central bank has a gold reserve adequate to convince the people that its notes will be freely paid in gold upon demand, and that an export movement of gold is not likely to arise in excess of the ability of the bank to meet it. Under those conditions gold will not be withdrawn for domestic hoarding and a demand for gold for export can be met by credit.

If, as assumed, the conditions relating to the countries first named above are as described, the arrangement would simply contemplate a large gold credit to their banks of issue by the Federal Reserve System, to be drawn upon in case of need,

not necessarily for the purpose of making domestic gold payments, the need for which, if it arose, would likely not be large, but in point of fact to enable the bank of issue to maintain the exchange at a point where it was no longer profitable to export gold to this country. The "credit" would indeed be available to take the place of a demand for gold for shipment; the mere fact of its availability would limit and likely prevent the development of a considerable demand.

The details of any such plan, must, of course, be worked out by conference of the managers of the respective banks of issue.

The situation with the nations named is somewhat analagous to that of the United States Treasury in 1878, when Sherman was Secretary of the Treasury. By that time the revenues of our government exceeded expenditures, the national debt was being reduced, our foreign trade was in balance, and the Treasury had accumulated a store of gold. Sherman then made the statement that "The way to resume is to resume." He realized that general appreciation of the Treasury's ability to pay gold would protect the Treasury against a drain of gold, and in fact it developed that when gold payment was resumed in January, 1879, only 50 or 100 people appeared at the Subtreasury in New York with greenbacks for redemption. But little gold was paid out, and within an hour or two the country was back on a gold basis, the gold premium had disappeared, the exchanges were normal, and gold was no longer demanded.

The danger of breakdown of an arrangement such as described, is in my opinion now reduced to two principal difficulties: One is the possibility of demands upon Germany for reparation payments in excess of the capacity of the German people to pay. The other is the possible adoption of too rigid plans for requiring payment of interest and principal of the debt owing to this government by foreign governments and correspondingly of debts owing between them in excess of the capacity of the debtors to pay.

As to the first difficulty it would arise as the result of the German Government adopting various desperate means for obtaining foreign credits with which to meet reparation demands and converting those credits through exchange arbitrage into the currencies of the creditor nations without regard to the effect upon the exchanges.

This danger can be eliminated in my opinion by establishing the following principles to govern reparation payments:

(a) That they shall not be in excess of capacity.

(b) That those made in "cash", that is, in credit transfers as distinguished from transfers of goods, shall be strictly limited and subject to control from time to time.

(c) That the German Government shall promptly adopt a sound fiscal and monetary policy.

(d) That the negotiation of credit by Germany in foreign countries shall be subject to supervision.

As to the second difficulty, it will arise in the first instance, if at all, as the result of fixed payments which may soon be made upon the debt owing to the United States by Great Britain.

A method of dealing with this difficulty is possible, although it might be found that the existing legislation does not confer sufficient authority upon the World War Debt Refunding Commission. In brief, it would contemplate that while the greater portion of the debt may now be funded in a form requiring fixed payments of interest and principal at definite dates, that at least some portion shall be expressed by obligations for indeterminate payment according to the position of the exchanges.

That is to say, if sterling should not only be restored to parity, but advance to a premium beyond the gold shipping point, so that we might be called upon to make heavy shipments of gold to England, we would then be in position to call upon England to increase the rate of payments so as to prevent an excessive gold export movement. We would in a word ship them their obligations instead of our gold. Conversely, should dollars return to a premium and sterling be at a discount so that gold might move from England to this country, some part of the amount to be paid by England could thereupon be temporarily deferred. This might be done by

April 22, 1922.

vesting in the President, the Funding Commission, or some officer of the government, the right to accept short time interest bearing obligations for given payments pending restoration of the exchanges. Roughly, I should suppose that such authority could be limited to periods not exceeding say six months, with authority for say one or two renewals, and that the amount of payments so to be deferred need not at any one time exceed a total of \$150 to \$250 millions. This plan again would be based upon the sound principle that the return of a premium on dollars vis a vis sterling would be an indication that payments being made by England were in excess of capacity and should temporarily be suspended. In this connection, it should also be borne in mind that the South African gold mines will shortly resume production and again form an important contribution to the capacity of England to make payments in this country.

If any such principle were established in dealing with the debt owing to our government by Great Britain, it should likewise be applied to the debt owing to us by other governments, and to the debts owing by the Allied Governments between themselves, so that whenever payments upon any such debts became a menace to the stability of the exchanges between those countries which had resumed gold payments, an increase or decrease of amounts paid could be employed to assist in maintaining stable exchange and protecting the reestablished gold standard.

In resume, therefore, the above suggestions contemplate:

(a) That any plan for stabilization of exchange rates be confined at the outset to those countries which present favorable conditions for permanency.

(b) That it be effected by means of a gold credit to be extended by the Federal Reserve Banks as a private arrangement between the banks of issue of the respective countries.

(c) That the danger of failure of the plan because of excessive payments of reparations may be controlled as the result of a limitation of the amount of payments to be made by Germany in foreign exchange.

April 22, 1922.

#7
(d) That the danger of the failure of the plan because of payments upon the debt owing to the United States Government be eliminated by introducing a flexible plan as to some portion of the amount to be paid.

With so much accomplished towards the restoration of stable exchange conditions, any further control attempted to be exercised should be through the individual action of the respective nations whose budgets and currencies are in such disorder as to require some more radical readjustment than is contemplated in this plan.

Probably no legislation will be required to enable the Federal Reserve Banks to extend the credit contemplated.

Some legislation might be required to introduce the necessary flexibility into the scheme of payments of debt owing to the United States.

A formula for such flexibility in specific terms can be prepared if desired.

Three additional copies of this letter will be sent for your use, and I am sending one additional copy to Assistant Secretary of the Treasury Wadsworth.

I beg to remain,

Yours very truly,

Benj. Strong,
Governor.

Honorable Herbert Hoover,
Department of Commerce,
Washington, D. C.

BS:MM

September 12, 1921.

My dear Hoover:

Thank you for your note of the 6th. I have just returned from a week's absence, and accumulated work will keep me at my desk for the balance of this week; but I expect to be in Washington next week to keep a number of engagements and will let you know promptly on arrival there.

Faithfully yours,

Honorable Herbert Hoover,
c/o Department of Commerce,
Washington, D. C.

BS:MM

September 8, 1921.

Dear Sir:

Your letter of September 6 is received in Mr. Strong's absence, to which his attention will be called on his return to the city next Monday.

Yours very truly,

Secretary to Mr. Strong.

Honorable Herbert Hoover,
Secretary of Commerce,
Department of Commerce,
Washington, D. C.

GB:NM

DEPARTMENT OF COMMERCE
OFFICE OF THE SECRETARY
WASHINGTON

ACKNOWLEDGED

SEP 12 1921

B. S.

September 6, 1921

Mr. Benjamin Strong
Federal Reserve Bank
New York City

My dear Strong:

Certain things have come up that make it desirable that I should talk with you in respect to the proposed plan of currency reforms.

There is no hurry about it, but if you will let me know when you expect to be in Washington next I will arrange for a meeting.

Yours faithfully



HH.AGS.

Handwritten signature

ALBANY, N.Y.

SEP 1 1921

TO THE GOVERNOR OF THE STATE OF NEW YORK

FROM THE SECRETARY OF THE FEDERAL RESERVE BANK OF ST. LOUIS

RE: [Illegible]

[Illegible]

[Illegible]

[Illegible]

[Illegible]

SEP 1 1921

RECEIVED

ATTENTION
OFFICE OF THE SECRETARY
DEPARTMENT OF COMMERCE

COPY.

September 1, 1921.

Dear Mr. Hoover:

I am grateful to you for your note of August 30 containing the draft of a proposed letter which we have recently discussed.

Only one suggestion occurs to me, which might be made paragraph d. on the second page, somewhat as follows:

"d. A plan for furnishing adequate securities for credits granted."

This would appear to be desirable, especially with regard to Austria where those who may participate in any plan will need convincing evidence that loans granted will be well secured.

I am in hearty accord with the statements contained in the last paragraph of the proposed letter.

Faithfully yours,

BENJ. STRONG

Governor.

Honorable Herbert Hoover,
c/o The Department of Commerce,
Washington, D.C.

inauguration and maintenance of such economic policies
as would give promise of economic stability.

I fear that unless some such helpful action
of this kind can be taken by private institutions of great
responsibility to the public, recovery of foreign commerce may be
prolonged over many years and I know of no more beneficent service
that can be performed by private business.

A plan of this kind must fail if, as has been
proposed, it be confined to only one of these states because none
of them are economically independent of its neighbours but it would
succeed if established in three or four of them. Such a plan
should be welcomed by each of them and its consummation through the
processes of business and economic life would avoid infinite
pitfalls of international political action.

Yours faithfully,

H. HOOVER.

August 30, 1921.

Benjamin Strong, Esq.,
Federal Reserve Bank,
New York City.

Dear Mr. Strong:

I am glad to have occasion to refer to our discussions upon the commercial problems arising from the after-war situation in the new and enlarged nations of Eastern Europe between the Baltic and the Mediterranean.

The economic rehabilitation of these 100,000,000 people is vital to our commerce, not only directly with them but also with the other states whose prosperity so much depends upon them. In the last analysis the rebuilding of economic life among these people is of daily importance to every worker or farmer in our country and the whole world.

In the two years since the armistice while the production of food and the situation in many industries has improved, yet it is apparently impossible for them to accomplish certain fundamental steps unaided. Not only have their fiscal and currency situations become steadily worse but their continued political fears serve to maintain a host of economic barriers which defeat the flow of goods and services between them that are so vital to their recovery.

We must remember that these states represent a readjustment of old political boundaries with scores of years of injustice and wrong in the background. The conflict of political objective between them and between the great powers seems to render beneficent political action of little hope. I believe that if most men of economic and commercial thought are agreed that if these states are to recover it must be by forces entirely divorced from political origin or action, that is through the healing power of assistance of private finance and commerce.

Therefore it is the hope of the President and my colleagues in this administration that you can pursue the conversations which have been suggested, that is, to determine whether the great public banks in the interested countries as well as the United States could not formulate a plan for financial co-operation with these states of purely private character that would embrace essentially:

- a. Rehabilitation of currencies,
- b. Provision for initial raw material,
- c. Conditional to the above such proper co-operation of each of the Eastern European governments in the inauguration

COPY.

DEPARTMENT OF COMMERCE
Office of the Secretary
Washington.

W. Jay.

August 30, 1921.

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

Dear Mr. Strong:

I send you herewith draft of a letter which perhaps meets the case. I would like any suggestions you have to make.

I have sent a copy of the letter to Secretary Hughes and will send a copy to the President, but have not yet had their reports on it. It may be that we do not need to take any particular care but it might be that such circumstances would arise that would make it of importance.

Yours faithfully,

(Signed) HERBERT HOOVER.

Hotel Ritz,

August 21, 1919.

My dear Mr. Hoover:

The enclosed very rough pencil figures give an indication of the probable outcome of the advances on the German gold. The fractions are in some cases uncertain because of mutilated cable advices, but I believe that the figure of \$4,000,000 is reasonably accurate and the figure of 13,000,000 is as close as can be estimated until I have cable advices from New York of the exact amount advanced.

In other words, I should estimate that about \$107,000,000 will be the amount advanced on the 92 per cent. basis, on all of the gold held in Brussels, and 100,000,000 out of the 440,000,000 held in Amsterdam. If the values of the remaining 240,000,000 in Amsterdam run about as shown in previous lots the advances on the 92 per cent. basis should amount to about \$52,500,000, but the 140,000,000 marks now being roughly estimated include 1799 bars, 1,554,500 sovereigns, 10,500,000 Austrian crowns and 5,500,000 roubles, concerning which the values would be doubtless subject to a greater variation, but, based upon all the information I now have, I certainly think that the advances to be made by the Bank on the 92 per cent. basis would amount to about \$159,500,000. This would give a total value for the gold of \$173,500,000, leaving a gross equity due to the Germans of \$13,880,000, out of which all expenses are to be paid.

Out of the equity of eight per cent., so far as I can now forecast, the following expenses must be either paid or deducted pending the final disposition of the gold:

1. The actual out-of-pocket expenses of the Nederlandsche Bank and the Banque Nationale de Belgique for the actual handling, counting and packing of the gold, and possibly some small compensation to each bank, which would be a minor matter.
2. Freight and insurance to London upon that part of the gold actually moved and, based upon the experience in that movement, an allowance for what it would cost to move the balance to London in case it became necessary to ship it there.
3. The actual expenses incurred by the Bank of England in handling the gold and the expense of melting and assaying by the Mint, for any part or all of the gold as it may be necessary to treat.
4. The expenses of the Bank of England in attending to the shipments and handling the gold in transit and in London. As to all of the charges made by the three banks, they have expressed no desire to change anything in the nature

H.H.- 2.

of a commission or compensation, but simply to be reimbursed for what it costs them to handle the gold, including the melting and refining charges in London.

5. The actual cost of freight, insurance and handling, with the usual allowance for abrasion, of moving all the gold to New York, which will be estimated and deducted, but reimbursed to the German government in case the gold can be disposed of more economically than by moving it to New York.

6. Some slight expense, without any charge for compensation, incurred by the Federal Reserve Bank of New York.

Our proposal for moving the gold covered in cables sent by the Treasury Department through the State Department to Mr. Davis, contemplated that the deductions should include every cost involved in moving the gold from its present custody to New York, including charges for reducing it to fine bars if that became necessary. It is my intention to make a complete estimate of all expenses which we will incur in such a movement, (should it be necessary) to deduct that from the amount to be paid to the Grain Corporation, and whatever saving may be effected over and above the amount of the deduction as a result of the actual disposal of the gold by some more economical method we will account for to the Grain Corporation.

Of course, as a matter of convenience, should the Grain Corporation not desire to maintain an open account for the length of time involved, I have no doubt the Federal Reserve Bank would be willing, upon direction of the Grain Corporation, to effect a direct settlement with the German government, were we furnished with the necessary authority and instructions to enable us to do so, and I will recommend that course to the Bank later on if you consider that it is the wisest procedure.

Of course all the above figures are merely estimates, the best I can give you at the present time, and in the near future I shall try to give you the figures on the exact cost of moving the gold, including the expenses above named.

Hoping the above will prove of some assistance, I am,

Very truly yours,

Herbert Hoover, Esq.,
51 Avenue Montaigne, Paris.

(x) The movement to New York to include charges via London

BS/V

Lot	NEDERLANDSCHE BANK WEIGHT			GERMAN WEIGHT		Difference
	Kilograms	Grams	Troy Ounces	Kilograms	Grams	
1st	7943	906	255,492.3 (5)			
2d	7945	565-1/2	255,455.672	7945	5706	5.1
3d	7945	705-1/2	255,460.175	7945	773-1/2	68.
4th	7945	317	255,447.6827	7945	2548	82.2
5th	7946	8	255,469.8989	7945	998-1/2 (0)	9.1/2
6th	7945	903	255,466.5231	7946	93,6 ?	190.6
7th	7945	2725	255,446.252	7945	4138	141.3

ADVANCES MADE BY F. R. BANK

Against gold in Brussels,	\$63,396,897.47
Against Lots 1 to 6 inc. in Amsterdam,	26,234,103.78
Against Lots 7 " "	4,372,285.02
	<u>\$94,003,286.27</u>
Estimated advances Lots 8 to 10 incl.	13,117,023.75
Being 92% of supposed value of	
(Mks 290,000,000 Brussels)	
(Mks 200,000,000 Amsterdam)	\$107,120,310.02
92% advance on 490,000,000 mks equals	\$107,120,310.02
92% " " 240,000,000 " estimated say	52,500,000
Total to be advanced on 92% basis (est.)	<u>\$159,620,310.02</u>

This estimate, compiled with the most possible approximation on the basis of actual prices, is drawn up together with the State's Administration and the "great Banks".

In calculating the freight figures we have reckoned that great part of coal coming from United States should be transferred by american tonnage.

The estimate does not comprehend the purchase of vessels which could amount to 200.000 tons gross gauge.

The above statement received from Mr. Pietro Fenoglio,
of the Banca Commerciale Italiana.

Carried Forward

2.371

320.620

RAW MATERIALS & MACHINERY	Tonn. 0.00 omitted	Dollars 0 0 0 omitted
Coals	4.000	24.000
Cast iron	275	7.000
Blade and cast steel	60	3.000
Iron fragments	200	5.000
Various metals	30	12.000
Kerosene, spirit and fuel oils	250	9.000
Lubricating oils	60	6.000
Cotton	175	105.000
Tobacco	24	14.000
Timber	120	6.500
Paraffine	24	4.800
Shoes and hides	2	19.000
Machinery	12	5.000
TOTAL	5.232	220.300
Freights for tons 4.000		120.000
GENERAL TOTAL	7.603	660.920

X

ESTIMATE OF PURCHASES BY ITALY FROM UNITED STATES OF AMERICA FOR THE
CEREAL YEAR 1919 (sept.1st) 1920 (August 31st)

FOOD STUFFS	Tonn.	Dollars
	:0 0 Omitted	:0 0 D omitted
Cereals for human alimentation	2.000	180.000
Oats and surrogates	160	10.000
Dry pulses	12	1.920
Frozen meat	60	33.600
Canned meat	6	6.300
Salmon	6	2.400
Dry fishes	12	4.200
Condensed milk	6	2.400
Animal fats and swine meats	48	36.000
Butter and cheese	6	6.600
Commestible oils	9	4.950
Sugar	40	7.000
Feculas	1	250
Miscellaneous	5	5.000
TOTAL	2.371	320.620

Aug. 23^d 1919 Hoover States State, received
\$ 589.000.000 for food. - i.e., Grain, fats, Sugar, -
Lunching with Logan & H. at Vaison.
Bo

17 Juillet 1919.

STATEMENT OF FRENCH REQUIREMENTS

BY Mr. J. ~~AMMEL~~ *Monnet*

	<u>T.M</u>		<u>Frs.</u>	<u>Frs.</u>	<u>Total</u>
<u>Wheat</u>	1.250.000	d'Argentine à	300	437.500.000	
	1.500.000	des Etats-Unis	550	825.000.000	
	750.000	d'Australie à	320	<u>240.000.000</u>	
					1.502.500.000
<u>Oats</u>	750.000	des Etats-Unis	350	262.500.000	
	250.000	d'Argentine à	250	<u>62.500.000</u>	
					325.000.000
<u>Corn</u>	1.000.000	d'Argentine à	200	200.000.000	200.000.000
<u>Sugar</u>	400.000	des Etats-Unis			
		et Cuba.	1500	600.000.000	
	200.000	des Indes Néer-			
		landaises, Mau-			
		rice, etc.,	1500	<u>300.000.000</u>	900.000.000
<u>Frozen Beef</u>	300.000	d'Argentine			
		d'Australie	2350	705.000.000	705.000.000
<u>Genl. Merchan-</u>					
<u>dises.</u>	1.000.000	provenances			
		diverses,			
		Amérique du Nord,			
		" centrale,			
		" du Sud,			
		Antilles,			
		Indes,			
		Indes neerlandaises			
		à	2000	2.000.000.000	2.000.000.000
GENERAL TOTAL :					<u>5.632.500.000</u>

H. H. - 2.

accurately stating the account.

Trusting that this will completely meet your situation, I beg to remain,

Very truly yours,

Herbert Hoover, Esq.,
51 Avenue Montaigne, Paris

BS/v

Hotel Ritz, Paris,

August 16, 1919.

My dear Mr. Hoover:

Quite unexpectedly it seems necessary that I should accompany General Harbord to Constantinople and in the meantime I have arranged matters with the Bank of England, with the National Bank of Belgium and with the Nederlandsche Bank, so that I believe the gold shipments will proceed promptly and in the meantime payments be made to the Grain Corporation can be facilitated.

The exact settlement of the account I fear it will be necessary to defer until we have had actual experience in the cost of moving the gold from both Amsterdam and Brussels to London, but by the time of my return a sufficient amount will have been completed to enable us to make reasonably accurate figures, and of course the final settlement of the German account must necessarily await the conclusion of your account for food supplies, which I understand will not be for some little time yet.

At the present moment I understand the account is as follows: Payment of 92% of the estimated value of 290,000,000 marks held in Brussels has been made to the Grain Corporation.

Payments for lots examined by the Nederlandsche Bank are proceeding and instructions have been given to continue that method of payment until a total of ten lots of approximately 20,000,000 marks each has been completely examined. By this method payments will have been completed up to 92% of the estimated value of 200,000,000 marks, as the examination of the seventh lot had been completed when I was in Amsterdam this week.

As to the remaining 240,000,000 marks in Amsterdam, I have arranged to expedite the examination and payment for that amount can be completed as soon as the necessary weighing is finished.

I would estimate that within ten days or two weeks you will have received 92% of the total of approximately 730,000,000 marks and that upon my return from Constantinople we can promptly arrange a method for

(Received at Paris August 16th)

Paris, August 13, 1919.

Benjamin Strong,

Care National Bank of Belgium, Brussels

Nash 883 Mr. Hoover away from Paris this week. Have repeated to him your wire reference German gold but doubt if answer can be received in time to reach you at Brussels. Could you not arrange with Banks to give them telegraphic instructions from Paris covering final shipments as we will know position better after discussing matter with you. ShermanN Hoover.

TELEGRAM

Amsterdam, August 10, 1919.

HERBERT HOOVER

51 Avenue Montaigne Paris

Am making progress in arranging matters here and Brussels stop
If you can advise me total amount due you out of gold deposits I will
endeavor to arrange to leave balance due Germans in custody here and avoid
expense and risk of moving that amount stop. Telegram can reach me care
National Bank of Belgium Brussels including Thursday this week stop
Leaving Friday for Paris

STRONG

P. S. Since dictating the above I find duplicate original of your letter of June 24, addressed to Mr. Davis, stating that 290,000,000 marks held by the National Bank of Belgium and 200,000,000 marks held by the Nederlandsche Bank were deposited in your name as President of the United States Food Administration Grain Corporation and 210,000,000 marks in the Nederlandsche Bank in your own name personally. Your letter of June 27, addressed to Mr. Davis, states that of the 150,000,000 marks additional deposited by the Reichsbank 30,000,000 marks were allotted to you and that the proceeds are to be paid to the United States Food Administration Grain Corporation, so that I understand from this correspondence that as to 520,000,000 marks we would account to the United States Food Administration Grain Corporation and as to 210,000,000 marks we would account to the Commission for Relief in Belgium if we were correct in assuming that the deposit in your name personally was for account of the C.R.B.

Hotel Ritz, Paris,

July 31, 1919.

My dear Mr. Hoover:

Your favor of the 31st instant is duly received. My understanding when I was in New York was simply that contained in the cables exchanged between the Treasury Department and the American Mission, to the effect that a portion of the gold had been deposited in your name personally and a portion in the name of the United States Food Administration Grain Corporation and subsequently that the entire amount would be turned over to the Federal Reserve Bank of New York by whoever held the title, and personally I had understood that the whole payment was to be made to the Grain Corporation.

Before I left New York, however, the Guaranty Trust Company made inquiry as to whether we were prepared to make them a payment of \$50,000,000 for account of the C.R.B., but we had no instructions and referred them to Mr. Barnes or Mr. Shattuck.

It will doubtless be necessary for us to receive some exact statement as to the division of the funds at a later date when the amount is determined, and I take the liberty of suggesting that the directions be sent us separately as to the exact amount for which accounting must be made to the C.R.B. and the exact amount for which accounting must be made to the Grain Corporation.

I further understood that instructions had been sent to the National Bank of Belgium and the Nederlandsche Bank to turn over the gold to the Federal Reserve Bank, which I assume you intend as authority to them to make the transfers as rapidly as the gold is checked and paid for. This, as you know, I am arranging to do as promptly as possible and hope to facilitate the matter when I reach Brussels and Amsterdam.

What you mentioned in regard to a misunderstanding by the Treasury Department is entirely unknown to me and I am cabling to the Bank to make inquiry and reply at once.

Faithfully yours,

Herbert Hoover, Esq.,
51 Avenue Montaigne, Paris.

BS/V

SUPREME ECONOMIC COUNCIL

OFFICE OF

THE DIRECTOR GENERAL OF RELIEF

Paris, 31 July 1919.

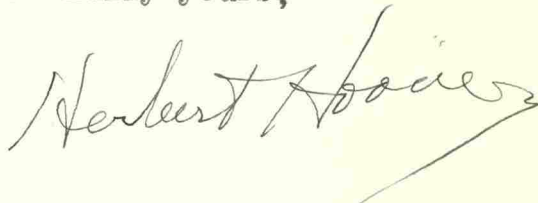
Benjamin Strong, Esq.,
Hotel Ritz,
Paris.

My dear Mr. Strong:

With regard to the gold at Brussels and in Holland, I trust that the Federal Reserve Bank understands clearly that this gold is a payment to me, personally, on account of not only foodstuffs furnished through the Grain Corporation but also for foodstuffs furnished from the Commission for Relief in Belgium. In the arrangements which I have set up, the latter two accounts, that is, Belgium and C.R.B., are combined so far as the Germans are concerned. Therefore, payments to be made in New York out of the realization of the gold are entirely separate as to these different accounts and the two institutions, that is, the Grain Corporation and the C.R.B. have an independent responsibility to the Germans, and they have no inter-relationship with each other. Upon the realization of the gold, the directions given through the Treasury were that the first \$100,000,000 realized was to be paid to the Grain Corporation and that the second \$50,000,000 realized was to be paid to the account of the Commission for Relief in Belgium at the Guaranty Trust Company in New York, the remaining realizations to be paid to the Grain Corporation.

I mention all of the above because there seems to be some misunderstanding with regard to the matter in Washington and the impression that the whole of the moneys realized are payable to the Grain Corporation, although the instructions through the Treasury are explicit on this point.

Faithfully yours,



HH:AK

July 23, 1919

HERBERT HOOVER
American Mission, Paris

Am just advised of your telegram to Shattuck suggesting conference
on my arrival in Europe. Will be in Paris Monday and have no doubt
details can be promptly arranged.

STRONG

UNITED STATES FOOD ADMINISTRATION

WASHINGTON, D. C.

October Twenty-Second

1917

IN YOUR REPLY REFER TO

10-H-2/GG

Benjamin Strong, Jr., Governor,
Federal Reserve Bank,
New York City.

My dear Governor Strong:

I am enclosing copies of three bulletins which we have published, as representing our national policy, and would be glad if you would look over them.

If you approve, it would be exceedingly helpful to the whole work of the Food Administration if you could send this out over your own commendation to your member banks, asking them to lend their assistance in promotion of general production, and especially in encouraging increase in the production of hogs, particularly pointing out that their financial assistance in that direction would be extremely valuable.

Yours faithfully,

Herbert Hoover

I talked with Mr. Walcott on the telephone about this later on, and he said that the matter had been taken up by the Bankers association & that they were out of the pamphlets at that time.

