



BA
MAY 2 1921

Delhi, the.....27th March..... 19 21

My dear Strong,

Many thanks for your letter of February 3rd enclosing the figures of the Federal Reserve Bank for 1919 and 1920. Your colossal figures have an almost stupifying effect on my mind, but I envy you the strength of your reserves.

We have just had a very busy month with our budget. I had to declare a very large deficit and propose what for this country is an astonishing amount of new taxation, and had to get this through a legislature on which Government had 20 representatives out of 140. It was, therefore, as you may imagine, no easy task, particularly as we had so much against us - the fall in the rupee, the great loss suffered by importers in consequence of the complete stagnation of our export trade. I see at present little chance of the latter looking up, while as for the import trade, there is now such a glut of goods at our ports and in the hands of merchants that it will take many months to wipe them off. Altogether therefore our prospects are not too rosy, and it may be some time before we get back into a healthy condition. Meanwhile, our only consolation is that we have managed to do a little deflation in our currency note issues and have a pretty strong backing, 53 per cent, in gold and silver.

My family appreciate your kind remembrances of them, and I

2.

need not say how glad we should be if fate ever directs your steps
in our direction again.

I am,

Yours sincerely,

Mustaile

Benjamin Strong, Esquire,

Governor, Federal Reserve Bank of New York,

New York, U.S.A.

to secure to ourselves the cooperation of the moderate elements in the country. I think we are succeeding in the latter aim, but meanwhile the Nationalist party has sliding now its way with the lower & less responsible elements in the population; it has caused a great deal of agrarian & industrial unrest, and I think that matters must soon come to a head between us. One cannot of course prophesy as to the exact form the contest will take; ~~and~~ and of course one has no anxiety as to the result; but the times are full of interest!

Financially we are in a somewhat curious position. Trade is more or less dead for the time, for our customers have ~~been~~ ^{been} no. Our war inflation was not

READ AND NOTED,
B. S.
26/7
SIMILA
ACKNOWLEDGED
OCT 24 1921
B. S.

My dear Strong.

I purposely refrained from answering your letter until your kind postcard arrived; it has now done so, and I assure you that it is not only an unalloyed delight to me, but a wonder to all beholders. I am really very grateful to you for your generous thought; it is doubly best, for I have used it as an opportunity for visiting with the Kerry that I showed so up to last week for the days to try it. Sincerely

that it came from you (whom he always
mentions with the greatest affection and
respect) he has not been able to
refuse; and I go on the 2nd of
August. It is not the best time of
the year, but it is the only time
which I can fit in between meetings
of our Legislative Assembly.

It is a great pleasure for us
here, who live in a world of earnest
dutiful high-minded but mediocre men
to see a first class artist like Lord
Thaddeus at work. It is a difficult
time. The mere transition of from a
humanitarian to a "responsible" form of

Govt would ordinarily afford enough problems;
the position is complicated by the great
outburst of nationalist spirit which has
led to the formation of a strong extremist
party. The latter - anyhow the best of them -
are not for violence or revolution; but you
cannot in a country like India base your
campaign on abuse of the European & his
methods without having sooner or later to
violate. I don't expect it on a large scale;
but the Indian movement has been
stirred to its depths by politicians appealing
to religious prejudice, and some sporadic
trouble we must I think have. Our policy
has designedly been one of toleration and
restraint so far; we wanted to get the
new reforms scheme to work, and thereby

Generally; we should be having one way bill
but for trade expansion & war on the frontier;
~~but~~ we are not of course adding unbacked
paper to the currency (which had run in the trough
one billion down to zero; we have a net
backing of 56 per cent nominal and 63
per cent real, taking gold at full value, and we
have an automatic arrangement for the early
redemption of the remaining unbacked notes) and
we are not adding anything to our
Treasury Bills. The monsoon is going well,
and if only we could see a revival
of demand among our customers, I think
we could look fat in the face again
without missing. As you see - it
is all some one else's fault! The rest of
the world has gone rotten & can't buy.

Excuse a long scribble, and again - my
very best thanks. My wife sends you the
kindest remembrances.
Mrs. S. S. S. S. S.

equal to that of other nations, but it was
undoubtedly heavy for India - she had always
been accustomed to take her gains on the balance
of trade in gold & silver, and as this was
not possible during the war, we had to
issue paper. We knocked off a good deal
last year, but the future progress of
reduction will be much slower. We could
have got ourselves pretty straight last year
for the continuation of operations on the
frontier, very costly and not very useful,
which involve me working to a
deficit instead of a surplus, in spite of
3 heavy taxations last March. Obviously,
with money still somewhat inflated and
with trade slack, we ought to have been
able to set to work to fund our
short term loans; but India is at present

(I suppose in common with the
rest of the world) disinclined to invest
on long terms, and all we can do
is to ~~keep~~ carry on with
five & ten year bonds. This we are
doing successfully, and without
increasing interest. I think we could
get a good deal of long term money
at higher rates, but there is so
much political outcry at the fall in capital
value of our old standard securities
(3½%) that I should doubt my
ability to get support in the Assembly
for a loan which would still
further depreciate the old holdings. Further,
we are still educating the public in

the investing habit, and with a callow
young investing habit, it is ~~dangerous~~
dangerous to do anything which will raise the
value of existing securities. It makes them very
shy indeed of future long term investments. So
that our policy at present is limited to
short term renewals, in the stead fast hope
that we shall in a year or two be able to
do something substantial on a long term basis. The
world financiers are helping us bravely by
knocking down interest rates; were bold
policy of raising them having attained its
immediate purpose, you can I hope now
afford to let the world get back to a
lower level.

I think that we are sound enough

C O P Y

Simla
26/7[1921]

My dear Strong,

I purposely refrained from answering your letter until your kind present arrived; it has now done so, and I assure you that it is not only an unalloyed delight to me, but a wonder to all beholders. I am really very grateful to you for your generous thought; it was doubly blest, for I have used it as an opportunity for insisting with the Navy[?] that I should go up to Kashmir for ten days to try it. Seeing that it came from you (whom he always mentions with the greatest affection and respect) he has not been able to refuse; and I go on the 2nd of August. It is not the best time of the year, but it is the only time which I can fit in between meetings of our legislative Assembly.

It is a great pleasure for us here, who live in a world of earnest dutiful highminded but mediocre men to see a first class artist like Lord Reading at work. It is a difficult time. The mere transition from a bureaucratic to a 'responsible' form of Govt ;would ordinarily afford enough problems; the position is complicated by the great outburst of nationalist spirit which has led to the formation of a strong extremist party. The latter - anyhow the best of them - are not for violence or revolution; but you cannot in a country like India base your campaign on abuse of the European + his methods without leading sooner or later to trouble. I don't expect it on a large scale; but the Mahomedian element has been stirred to its depths by politicians appealing to religious prejudice, and some sporadic trouble we must I think have. Our policy has been one of toleration and restraint so far; we wanted to set the new reforms scheme to work, and thereby to secure to ourselves the cooperation of the moderate elements in the country. I think we are succeeding in the latter aim, but meanwhile the Nationalist party has steadily won its way with the lower + less responsible elements in the population; it has caused a great deal of agrarian + industrial unrest, and I think that matters must soon come to a head between us. You cannot of course prophecy as to the exact form the contest will take; and of course one has no anxiety as to the result; but the times are full of interest!

Financially we are in a somewhat curious position. Trade is more or less dead for the time, for our customers have failed us. Our war inflation was not equal to that of other nations, but it was undoubtedly heavy for India - she had always been accustomed to take her gains on the balance of trade in gold or silver, and as this was not possible during the war, we had to increase paper. We knocked off a good one last year, but the future process of reduction will be much slower. We could have got ourselves pretty straight but for the continuation of operations on the frontier, very costly and not very useful, which involve our working to a deficit instead of a surplus, in spite of very heavy taxation last March. Ordinarily, with money still somewhat inflated and with trade slack, we ought to have been able to set to work to fund our short term loans; but India is at present (I suppose in common with the rest of the world) disinclined to invest on long terms, and all we can do is to carry on with five + ten year bonds. This we are doing successfully, and without increasing interest. I think we could get a good deal of long term money at higher rates, but there is so much political outcry at the fall in capital value of our old standard securities (3 1/2%) that I should doubt my ability to get support in

the Assembly for a loan which would still further depreciate the old holdings. Further, we are still educating the public in the investing habit, and with a callow young investing public, it is dangerous to do anything which will the value of securities. It makes them very shy indeed of future long term investments. So that our policy at present is limited to short term renewals, in the steadfast hope that we shall in a year or two be able to do something substantial on a long term basis. The world financiers are helping us bravely by knocking down interest rates; your bold policy of raising them having attained its immediate purpose, you can I hope now afford to let the world get back to a lower level.

I think that we are sound enough generally; we should be paying our way well but for trade depression + war on the frontier; we are not of course adding unbacked paper to the currency (indeed last year we brought one issue down 20 crores; we have a metal backing of 56 per cent nominal and 63 per cent real, taking gold at full value, and we have an automatic arrangement for the early reduction of the remaining unbacked notes) and we are not adding appreciably to our Treasury Bills. The monsoon is going well, and if only we could see a revival of demand among our customers, I think we could look fate in the face again without mistaking. As you see- it is all someone else's fault! The rest of the world has gone rotten + can't buy.

Excuse a long screed, and again - my very best thanks. My wife sends you the kindest remembrances. Yours sincerely

(signed) W. Hailey

[This handwritting is difficult to read and so any stayerment, copied here, should be checked .]

EHK



ACKNOWLEDGED

NOV 2 1922

R S.

Simla, the 5th October 1922 .

Dear Sir,

I am afraid I have not replied to your letter of the 19th of July, but it must have reached India while I was still at Home on leave. I managed to get four months at Home and enjoyed it immensely, as I had not visited Europe for ten years. I put in a certain amount of good work in the City and had a highly interesting time talking over things with Norman, Blakett, McKenna, and a host of others. I left with an enormous respect for the manner in which the Treasury were carrying on their daily finance, for they seemed to be obtaining a complete control of the floating debt position. They have, of course, been assisted by the slackness in trade which has left large accumulations in the hands of bankers, but also no doubt by the steady determination of Government to attempt a balance of their revenue and expenditure. Our difficulty with floating debt out here is that we are unfortunately, owing mainly to heavy military expenditure and expeditions on the Frontier, working at a deficit, and the consequence is that we have to pay a fairly high interest on

our floating debt. We raised a very good rupee loan (49 crores), but in some horrible and mysterious way this seems to vanish almost as soon as we get it, again, of course, one of the consequences of being in a deficit position. If we could only manage by the aid of Lord Inchcape's Committee to reduce our expenditure (not an easy task, for we are admittedly running on a very narrow basis in the administration), then I think that we might look with some confidence on the future, for we have had a good monsoon, prices are falling rapidly, and we ought in time to get the full benefit of the recent additions to taxation. Meanwhile, there is one encouraging feature, namely our currency position. We now have a metallic backing which, properly valued, amounts to about 75 per cent of our note issues. Silver returns to us every week, and with 850 million silver rupees in our coffers, it looks as if we should never have to buy silver again. Indeed, Bears in the bullion market are constantly urging us to sell some of our surplus silver. As for the rupee, it is at all events noteworthy that in spite of the fact that we do nothing to support it, it remains steadily at about $1/3\frac{1}{2}d.$ But for the insatiable demand on the part of the Indian agriculturist for gold bullion, it might easily be at $1/4\frac{1}{2}d.$ or $1/5d.$ But every progressive fall in the rupee value of gold brings a fresh demand for imported gold,

and the efforts of the rupee to climb upwards are promptly suppressed. We have just removed the embargo on the exportation of food grains, and although the internal price at present does not admit of exportations to Europe, yet it seems likely that prices will further fall to meet the European parity, since there are stocks surplus to the requirements of the country and in the ordinary conditions of India, lengthy storage is not possible. We may then see a moderate amount of export. At all events, I myself rejoice at this removal of restriction on trade. I have been fighting for it for a long time, but Government has been unnecessarily timid in the matter.

I spoke to Lord Reading yesterday about Mr. and Mrs. Noyes, and he said that he would be delighted to see them when they came. He asked me to send you his kindest remembrances. He is now taking work somewhat more easily than during his first twelve months; there is no doubt that those months imposed ^a somewhat severe strain on him, but I hope now that the strain has been removed, he will be able to take things rather more lightly. *India seems to suit Laq R. far better than any I was expected.*

My family went home with me & have returned full of life: they said their best wishes

Yours sincerely

Wm. Chamberlain

ACKNOWLEDGED

JAN 8 1923



Delhi, the 4th December, 1922.

Dear Strong,

Many thanks for your letter of November the 2nd and its account of the change of conditions in the United States. Since you have written we have had the result of your elections and if I mistake not it shows a very ~~very~~ considerable feeling against the present administration. We are hoping here that this also means that your present tariff policy will undergo some change for I need not say that it is likely to hit us and Great Britain very hard. But what you say about the improvement in business is very encouraging. I hope that it may mean the slow turning of the tide towards an improvement of trade generally throughout the world. When I was in London McKenna told me that his anticipations and those of his friends in the Banks were that there would be a revival in European trade with the ^{Continent} ~~Ottoman~~. The renewed trouble with Turkey has unsettled conditions and this may have accounted in great part for the disappointment of his predictions.



-2-

But one cannot help feeling that all the chances of a revival are there and that we only want some stability of political conditions to make progress. For ourselves we seem to be in for a much better time politically. One cannot prophesy about the East; there are always surprises in store; but for the moment the signs are good. The non-cooperation leaders seem to have split hopelessly. The more intelligent have been frightened by the success that has been attained in ~~sections~~ ^{working the} of reforms.

You know yourself how great were the efforts we made to ensure that the new constitution should function.; how ~~efficient~~ ^{patient} we were in the face of criticism of the most outlandish nature and how even when opposition took the form of really violent agitation and open ~~warfare~~ ^{rioting} we still held our hands in the hope that moderate people would rally round us and that the great bulk of the population would get tired of the non-cooperative folly. Repression is always possible but it is seldom successful unless it can be attended by a psychological change in the population itself.



We hoped that time would produce that change and I hope that we have not been disappointed. It required courage and persistence to wait until Gandhi's lieutenants had either disappeared in prison or were ready to desert him. Now as I say the more intelligent section of non-cooperation has decided that the success of reforms is dangerous to their position, and they desire to come into our Councils. The rough necks, the bull-heads and the die-hards still stand out; but the split has done us good and we particularly rejoice over the fact that the two sections came to open blows at a recent meeting in the Bombay Presidency. Reports which we receive from the districts show that though the effect of the agitation in creating racial antipathy still survives, still the general attitude of the population towards Government officers and the administration has changed materially for the better. I give you privately my own view of the policy we should now adopt: We have got the agitators on the run, and should now if we can kick them over the precipice.



-4-

There is unfortunately at the same time an extraordinary depression in trade. The best test of this is that our railway receipts will be 5 crores down on the budget estimates. There is little export of wheat, *Sate & tea are not doing sound,* ~~and~~ and Japan must take a good deal of our cotton. But internal trade seems dead for the time. The petty dealers are without cash or credit and it will be sometime before they can get going again. The Bombay market has been indulging in an orgy of speculations on lines which would astonish anyone accustomed to your spot transactions or the ready settlements of London. The consequence is that no one now will touch industrial shares. There is plenty of loose money and it all comes into our loans.

I have strong hopes that as a result we might reduce the interest rates on the fund on longer terms in our next summer's loan.

I have today ~~given~~ given up the Finance Membership and taken over that of the Home Department; you will I think remember meeting my predecessor, Sir William Vincent at my house. My place is being taken by Blackett of the Home Treasury whom of course you know



well. But because I have deserted the Finance Department please do not desert me and I beg you will allow me to continue the privilege of receiving your letters on the States. I shall show this one to the Viceroy.

I will give you kind messages to my wife — but my daughter — you three strike a terrible note. She died on the tenth of last October, after ^{years since} ~~ten~~ days illness. She had just come back with us from Europe, & was apparently in the best of health. You can judge what it has been to us; we have lost the dearest & truest companion, a man in his straightness & chivalry & quick humor, a girl in her affectionate heart. It is hard to carry on; all our atmosphere & outlook on life seems changed. I do not think that we could bear to stay on here but that our son is in Calcutta & runs our help.

Yours sincerely
Halifax



Best regards
Mr. Hailes has not
been over well, &
his letter will be
answered later
27/12

Act 7/26/33

3 dear Sir,

Very many thanks for your
kind thought of me at Amas - it
was very welcome; our own Amas has
been a sad one, as you may
well imagine, and it is difficult
to pick up heart; but one feels
better for the kind remembrance of one's
friends.

We are all greatly interested in
the arising determination of the State to
take a hand in the construction of

European Finance. I am not particularly
in favour of the constitution of a new
Government; but it has one advantage - Europe
generally will probably trust it more than it did
L.G. (on whose advice nevertheless he peace! He
did many good things). If only we could get a
sensible reparations solution, we should begin to
see daylight.

I assume that the recovery of Sterling dollar
parity reflects your high price and internal fall in
the purchasing power of the dollar - I have not however
observed that your imports from Europe have
not increased. Signs here are not bad - we
expect to have a revival in wheat & rice exports
with the accompanying recrudescence of internal
trade. In the moment, so when I last wrote.

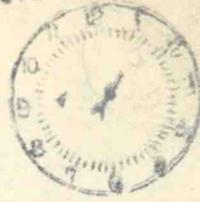


We are very dead. Railways & Post & Telegraphs
are coming in badly - in addition to our
expected & known deficit, we shall have to
incur some more & what deficit on that account.
Otherwise our situation has not deteriorated, &
we have "kept our end up".

Yours sincerely

W. Staley

RECEIVED BY
GOVERNMENT'S SERV



JAN 29 1923

ACKNOWLEDGED

Dellu FEB 5 1924

R S

5/1

3 dear Strong

It shows how important is the worlds "news"
when I tell you that neither Lord Reading nor I
knew that you had been so seriously ill. That you
were ill we knew, for I had heard of it from
friends; but we did not realize that matters had
gone so hard with you. I pray that all is now
well, and that you have nothing but what is
behind you, and past. If your health is
restored, your friends can afford to
congratulate you on your improved rest and all
the opportunities it has given for thought not
confused by the daily pressure of affairs.

Things in India are on the whole improving, he has tried
out that ~~was~~ troublesome campaign of racial hatred called
non-cooperation, and brought the great bulk of Indian
intellectuals back on to the plane of constitutional
thought; the population is no longer harried daily
by an organization preaching war and hatred;
prices are falling, and there is even some small
revival of trade, though our customers in Central
Europe still suffer from inability to patronize us!

All this does not mean at all that India's
problems are solved; there is no solution

for the problem created by the attempt to
link one civilization on another, and the
rising national consciousness of the East

4

here is whether Europe is not likely to be so
weakened as to occupy a new position vis à
vis the East. It is now hardly a nurse
for capital or a lesson in civilization. The
trouble in the industrial centers of the British
kingdom tends to a precipitate hardening
in its attitude to India; it is impatient of
its political aspirations; it does not see
what it should not deliberately compel Calcutta &
Bombay to buy its goods. When the head of a
family is in easy circumstances, it is easy for him
to look on the straits occasional beggars as a merited
extravagance of his son; it is a different tale when
he himself is anxious & distraught.

The best of wishes to you

Yours sincerely
W. H. Stirling

is bound to fit under an administrative largely
condition; but for the time we have a little
breathing space.

My wife is with me in Delhi, and sends you
her best wishes; fortunately for us, we have our
boy in India, and his presence does something to
help her.

From this great distance, when you are can find
time to look away from our own problems, we
grow perturbed and unhappy at a distance
from with a problem for which it is at the
moment of transcending hard seen to
bring me a solution. The disturbing thought has

ACKNOWLEDGED

JUL 14 1924

R S

Delhi, the 27th March, 1924.



My dear Strong,

Very many thanks indeed for your letter of the 25th. I showed it to Lord Reading who was much interested in it. I do hope that your health ~~was~~^{is} now so far re-established that you can look with confidence on the future and I am sure that there are a very large crowd of people both in England and America who join in that wish. Things here, taken from the economic standpoint are now going fairly well. There is no kind of a boom or even revival of business, but our balance of trade is slowly improving with its inevitable effect on the rupee; food prices are falling and some lines of business, such as tea and even jute, are doing quite well. We have a good harvest before us and this should mean a further fall of food prices. People in Calcutta are doing business at a reasonable margin of profit and even Bombay, which was at one time hardhit has had a revival owing to the high prices of cotton. The Cotton Mills there however are in for a bad time owing to the cost of raw material and they cannot look again for some years to the very high profits they have made since the war. But I think it is fair to say that with this single exception things in India are generally ~~much~~ on a pretty safe basis.

Our State Finances are now almost re-established. The Inchcape Committee, which I had such difficulty in securing before I left the Finance Department, made heavy reductions



-2-

particularly in the Army, and this year we have managed with a little pulling and pushing in various directions to secure a balanced budget. We have wiped off nearly the whole of our floating debt and can look forward next Summer to a strictly limited loan in India and (as we all hope) not a sterling loan in London. If we can keep clear of those somewhat disastrous Frontier operations which put us back so continually in the last three or four years, then we ought to be on ^{on a} ~~a~~ ^{safe} keel; the increase in our Railway Rates and Customs Duties should slowly place us in increased funds and indeed I think that from this point of view we have an encouraging outlook.

Politically, things are not so bad as they appear on the surface. The Non-Co-operation movement which threatened our constitution from the outset and which really might have developed into something like revolution is for the moment more or less dead. Its chief leaders, or at all events some of them, have come into our Councils and this in itself has produced a series of incidents which naturally strike the outside world ~~that~~ with some astonishment. They deliberately attempt to make a deadlock; our constitution gives us certain reserved powers which allow us to carry on the administration, notwithstanding; and there will no doubt be some agitation outside the Councils, but this agitation will be for a revision of the constitution which is something different from an agitation of a revolutionary tendency. I am clear myself that we must go very slow in



-3-

go slow in constitutional revision, making each stage good before we advance to another. We are admittedly in difficulty owing to the advent of a Labour Government; its presence gives more hopes to extreme politicians in India; on the other hand the Government is afraid of its critics in England and is therefore in two minds. It will take us a little time to get a clear line of action and in the interval we are all just a little worried and anxious, but I cannot say that we are in any way seriously perturbed. After all the most important points are the general economic conditions of the country and also the general attitude of Government towards the people. Both these are much better than they were three years ago.

Lord Reading is well but I think he would love a little holiday which is difficult to get. Lady Reading is courageous as ever but I am afraid she ^{never} is really quite fit. I myself am just going Home on two months leave at the end of which I take over the Governorship of the Punjab. That will be interesting though somewhat troublesome but I shall not anticipate trouble and shall enjoy writing to you from Lahore.

I am,
Yours sincerely,

To
Mr Governor B. Strong,
Federal Reserve Bank of New York,

New York.



Governor's Camp, Punjab.

INDIA.

June 6th, 1924.

ACKNOWLEDGED

JUL 14 1924

R S

My dear Strong,

I just received your kind information of your daughter's wedding; it came while I was away on short leave to England, or I should have written to you before. I need not say how heartily I wish her happiness, and you will know what I mean when I say that I wish it with a full, though with a very sore, heart.

I had leave only for two months, so that I got one only in England: it was a great rush, but I succeeded in seeing nearly every one of importance, and I also got four days' real holiday in Scotland. I do not know what queer foresight led my very English parents to give me a Scotch Christian name, but I retain the most fervent hopes that I shall finally become an inhabitant of that delightful country!

As a Liberal by conviction, I was affected, very grievously, by the state of English politics. I had talks with many Liberals, including Mr. Lloyd George; my difficulty was to see where their future lay. If they have any programme, Labour has gone one better; they are divided by mutual jealousies and their own young men are much depressed. At the moment, they seem to be deliberately marking time, with no policy of their own, critical to Conservatives and hostile to Labour; their one attempt is to invent a cry which will recapture the enthusiasm of Englishmen. But they represent the middle classes, the shopkeepers, the retailers, and these have ceased to be the force they constituted in Gladstone's time; certainly, they are not now even a united force. One is driven irresistibly to the conclusion that the Englishman, acting rather on instincts than ideas, and rather on prejudices than principles, has no

room

