

Other Directors of the Bank of England in 1920's

given in the September issue of the Bankers Encyclopedia †

1920 1921 1922 1923 1924 1925 1926 1927 1928

1915 Booth, George M.,* x x	x	x	x	x	x	x	x	x
Embury, Col. Lionel x x	x	x	x	x	x	x	x	x
Henderson, George W. x x	x	x	x	x	x	x	x	x
1914 Wallace Robert x x	x	x	x	x	x	x	x	x
Whigham, Walter K x z	z	z	z	x	z	z	z	z
Whitworth, Arthur x z	z	z	z	x	z	z	z	z
Smith, Henry Bakington, 23,	z	24						
Spencer-Smith, M.S. ?	z	z	x	z	z	z		
Shaw, Alexander				?	z	z	z	z

† The exact date of changes is not clear as there appears to be a lag of a year and a half, as a election in the spring of a year is not recorded to the next year, For example Peacock became a director in the spring of 1921 but the Bankers Encyclopedia did not give it until Sept. 1922. The listing of foreign banks was not given in the 1924 volume in the Library. One of more of directors above may have been elected as early as 1900.

* According to Who's Who, Booth served as a director for 1915-1947.

1950. also Bayle, Montague Norman p108

† according to Norman's letter to Stoney Oct 6, 1923
[Stoney Papers III 6.4] A Bakington Smith died recently.
Was he Lord Morley (1838) who died last Sunday [Sept 16]
Amount Sept 20, 1923 p462

1. Sir Edward Hambro; 1879-1925 [Clay, p.95]
- × 2. Brien Cokayne (Lord Cullen), 1902-1932 [Clay, p.92] -
3. Edward Grenfell (later Lord St. Just) [of Morgan, Grenfell] 1905-1940 [Clay, p.87] -
- × 4. Lord Revelstoke, 1898-1929 [Clay, p.95] -
- × 5. Montagu Norman, 1907- [Clay, p.55] -
- × 6. Cecil Lubbock, 1909-1942 [Clay, p.107] *af 23-24, 27-29*
- × 7. H. A. Trotter, 1909-1934 [Clay, p.189] *af 20-23, 26-27*
8. F. C. Tiarks, 1912-1945 [Clay, p.149]
- × 9. R. M. Kindersley, 1914-1946 [Clay, p.90] - *af 19 25/26*
10. Alan Anderson, Sir, 1918-1946 [Clay, p.303]
- 1921 × 11. Charles Addis, Sir, 1918-1932 [Clay, p.138]
12. Edward Peacock, Sir, 1921-24, 1929-1946 [Clay, p.312] *7 Baring Brothers [Charles p.348]*
13. J. Gordon Nairne, Sir, 1925-1931 [Clay, p.299]
14. Ernest Harvey, Sir, 1928-1929 [Clay, p.299]
15. Basil Blackett, Sir, 1929-1935 [Clay, p.121]
16. Andrew Duncan, Sir, 1929-1940 [Clay, p.325]

17 *Irish Stamp* 1926-1941 *Clay p.2097*

From among the directors, a Committee of the Treasury of 9 was chosen.

Traditionally it included present, past, and prospective governors. [Clay, p.3]

Nutt Jackson, 1892-1921 [Clay p.106]

× Member of Committee of Treasury

— *Johnson 1892-1922, gwa* *(1908-10) 1116.3*
(1910-12) 11 to 5
11/27/22

Bank 7 England.
Airedale, Barn Albert Ernest 1923-1947
Kelson, greater 1923-1947
Gladstone, Albert Charles deuter 1924-47
~~Hambro, Charles~~ b. 86 in 1947

Europa

Directors of the Bank of England, elected by 1900 who served
during period 1914-1928.

- ✓ Sandeman, Albert George, director, 1866-1918, Governor, 1895-1907
- ✓ Göscher, Charles Herman, director, 1868-1915
- ✓ Brooks, Herbert, director, 1872-1918
- ✓ Hambro, Everard Alexander, 1879 - 1925
- ✓ Morley, Samuel Hope, 1882-1921, Governor, 1903-1905
- ✓ Arbuthnot, Charles George, 1884-1928 (p.629)
- ✓ Bonsor, Henry Cosmo, 1885-1929
- ✓ Campbell, William Middleton, 1886-1919, Governor, 1907-1909
- ✓ Wallace, Alexander Falconer, 1887-1918, Governor, 1905-1907
- ✓ Jackson, Frederick Huth, 1892-1921
- ✓ Johnston, Reginald Eden, 1893-1922, Governor, 1909-1911
- ✓ Cole, Alfred Clayton, 1895-1920, Governor, 1911 - 1913
- ✓ Cunliffe, Walter, 1895-1920, Governor, 1913-1918, Deputy Governor, 1913-1915
- Newman, Robert Lydston, 1896-1920; Deputy Governor, 1913-1915
- ✓ Hoare, William Douro, 1898-1928
- ✓ Baring, John (Lord Revelstoke) 1898-1929 (p.630)
- Acres, W. M., The Bank of England from Within, Vol.II (published in 1931)

a
Directors of the Bank of England

Name	Year elected	1914	15	16	17	18	19	20	21	22	23	24	25	26	27	28
Göschén, Charles H.	1868	x	x													
Sandeman, Albert G.	1866 ^b	x	x	x	x	x										
Brooks, Herbert	1872 ^b	x	x	x	x	x										
Wallace, Alex. F.	1887 ^b	x	x	x	x	x										
Campbell, William M.	1886 ^b	x	x	x	x	x	x									
Cunliffe, Walter	1895	x	x	x	x	x	x	x								
Cole, Alfred C.	1895 ^b	x	x	x	x	x	x	x								
Morley, Samuel H. *	1882 ^b	x	x	x	x	x	x	x	x							
Jackson, Frederick H.	1892 ^b	x	x	x	x	x	x	x	x							
Johnston, Reginald E.	1893	x	x	x	x	x	x	x	x	x						
Hambro, Everard A.	1879	x	x	x	x	x	x	x	x	x	x	x	x			
Albuthnot, Charles G.	1884	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Hoare, William D.	1898	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Bonsor, Henry C.	1885	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Revelstoke, Lord †	1898	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Newman, Robert L.	1896 ^c	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Cokayne, Brien ‡	1902 ^b	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Grenfell, Edward	1905 ^b	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Norman, Montagu	1907 ^c	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Lubbock, Cecil	1909 ^c	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Trotter, Henry A.	1909	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Tiarks, F. C.	1912	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Kindersley, R. M. ‡	1914 ^c	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Anderson, Alan G.	1918					x	x	x	x	x	x	x	x	x	x	x
Addis, Charles	1918					x	x	x	x	x	x	x	x	x	x	x
Airedale, Lord †	1923										x	x	x	x	x	x
Gladstone, Albert C.	1924											x	x	x	x	x
Peacock, Edward	1921								x	x	x	x				
Nairn, John Gordon	1925												x	x	x	x
Harvey, Ernest	1928															x
Stamp, Josiah	1928															x
Göschén, Kenneth	1922									x	x	x	x	x	x	x

a. The names and dates of office and directorship for those selected before 1900 are from W.M. Acres, *The Bank of England from Within*, Vol. II (pp. 629-630). The names of those following 1900 are not complete as there should be 24 directors, plus governor and deputy governor. The names and dates of all directors thereafter come from Clay's *Lord Norman*, with the exception of Lord Airedale and Sir Albert C. Gladstone, which come from the *Annual Report of the Bank of England for 1947* and from *Who's Who, 1951*. (The term of office starts on April so if all were listed, when there were changes there should be more than 26.)

b. Served as governor (as well as earlier as deputy governor)

c. Served only as deputy governor.

/and Kenneth Göschén whose data come from *Europa, Who's Who* (undated) Vol. II

* Lord Hallenden, left *Chair* in March 1921 & replaced by *Peacock* [Norman to *Stamp* 3/14/21]

‡ Lord Cullen in 1920

† Ronald Kitson in the 1920's.

‡ Kindersley elected director in Mar/Apr 1914 succeeding Sir Alexander Baring. [Commenced & Fin. Circulars Acres given last date 1913.1 Apr 4, 1914 1510457]

OFFICE CORRESPONDENCE

DATE May 13, 1966

TO Mr. S. V. O. Clarke
FROM Evelyn H. Knowlton

SUBJECT: Committee of Treasury in Jan. 1925

It is difficult to ascertain from Clay's Lord Norman who were members of the Committee of the Treasury, who were among the members of Court of the Bank of England. In 1918, a committee recommendation was accepted that they number nine, including the governor, deputy governor, ^{at least} and three who had not served as governor. [p.107] The probable members in January 1925 were:

1. Montagu Norman, Governor of the Bank, who became a member May, 1916[p.93]
2. Cecil Lubbock, Deputy Governor, [mentioned as member in 1917, p.106]
3. Brien Cokayne (Lord Cullen), former governor
4. H. A. Trotter, former Deputy Governor
5. Lord Revelstoke, mentioned as chairman of the ^{special} Committee in 1917[p.106]
7. R. M. Kindersley, mentioned as member in 1917 [p.106]
8. Sir Charles Addis, mentioned as absent at Committee of Treasury meeting in B of E cable to Norman in N.Y., No 52, Jan. 7, 1925.
9. Sir Edward Hambro or Edward Grenfell, as senior directors and with Revelstoke, those whom Norman most relied upon in international banking [p.95]

Q1403 H21 1943
a. Addis, Sir Charles
Managing director
of the
Hongkong & Shanghai
Banking Corp.

+
director of the
Bank of England
1918-1932

Correspondence
1920 - 1927

9, GRACECHURCH STREET,
LONDON, E. C. 3.

February 26th, 1920. R

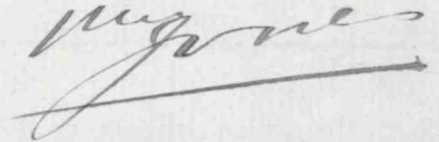
My dear Mr. Strong,

In the absence of Sir Charles Addis on the Continent, and in view of the urgency of the case as you are leaving for the Far East so soon, I take the liberty of enclosing a letter of introduction to each of our Managers in Yokohama and Shanghai for you to make use of on your arrival at those ports.

No doubt Sir Charles Addis, on his return to London, will write you and give you letters of introduction to Mr. Stabb, our Chief Manager in Hongkong, and to the Managers of other branches with which you would be in touch during your trip via Suez to London.

Wishing you a pleasant journey and hoping to have the pleasure of meeting you in London next winter,

Yours sincerely,



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

9, GRACECHURCH STREET,
LONDON, E. C. 3.

March 18th, 1920. R.

My dear Strong,

I received your letter of the 6th February this week on my return from Paris.

I enclose a few letters of introduction, which I hope may be of service to you, although I think you will find that your reputation has preceded you and that you are much better known in the Far East than perhaps in your modesty you are inclined to admit.

I am exceedingly glad to hear that you are to have a rest from your strenuous labours, and I most heartily wish you a prosperous voyage and an early return with a renewed freight of health and spirits.

Believe me, with kind regards, and all good wishes,

Yours sincerely,



Mr. Benjamin Strong,

C/o American Embassy,
Tokio.



ACKNOWLEDGED

SEP 13 1921

R. S.
EMPRESS OF BRITAIN.

10th Sept. 1921.

My dear ~~Strong~~,

Also well that
ends well! I got my
business sufficiently
advanced in Montreal to
justify my sailing today
as originally planned.

I shall not easily
forget the time we
spent together and your
constant and most
thoughtful kindness. I

thoroughly enjoyed my
visit and found much
food for reflexion by
which I hope to profit.

Believe me with
kind regards and grateful
thanks

Yours sincerely
F. S. Addis

September 13, 1921.

My dear Addie:

- See Name -
It was very nice to have your joint wireless message, and to-day to receive your note of September 10 advising that you had gotten off safely after all, and especially that you had enjoyed your visit with us.

I wish that such visits could be made oftener and when made would last longer. We have all profited greatly by your coming here, and this is especially true of myself, because of the better understanding which has resulted all around of the importance of relationships which we have with the Bank of England.

It has always impressed me as being a little too personal from my standpoint and, of course, that could only be overcome by such a visit as you made with us.

But beyond that I had a very good time indeed while you were here in the enjoyment of your good company.

Yours sincerely,

Sir Charles Addis, K.C.M.G.,
9 Gracechurch St.,
London, E. C. 3.

9, GRACECHURCH STREET,
LONDON, E. C. 3.

NOV 28 1921

7th November, 1921.

My dear Strong,

I am so glad you have remembered to send me a copy of the Agricultural Inquiry Report. I only hope it may arrive in time for perusal on my voyage to China. I am sailing on the 11th instant.

En revanche I enclose a copy of my Inaugural Address at the Institute of Bankers.

Believe me, with kind regards,

Yours sincerely,

B. S. Addis

Benjamin Strong Esq.,

Federal Reserve Bank of New York,

New York.

*ACK & Thank you. Love from
1921.*

INAUGURAL ADDRESS OF THE PRESIDENT,
SIR CHARLES ADDIS, K.C.M.G.

[Delivered in the Hall of the Goldsmiths' Company, Foster Lane, E.C. 2,
on Tuesday, November 8th, 1921, at 5.30 p.m.]

[By the courtesy of the Prime Warden and Wardens of the Company].

GENTLEMEN,—My first and most agreeable duty is to thank you for the honour you have done me in electing me your President. I can make no claim to the authority and experience of my immediate predecessor, but I can at least try to emulate his zeal and devotion in your service. It shall be my constant endeavour, within the measure of my capacity, to advance the interests of the Institute of Bankers and to uphold the high traditions of a long line of distinguished Presidents.

The educational work of the Institute was carried on under difficulties during the war and we are still suffering from its aftermath. The technical education of the young banker had hardly begun when he was called to arms. Military life is not favourable to the formation of studious habits. It is one of the minor hardships of war, that our young men are suddenly called upon to resume sustained mental effort after a life which, despite its dangers and hardships, may be regarded as upon the whole more attractive to the spirit of youth. So far as numbers are concerned we have more than recovered the ground lost. The number of candidates who presented themselves for examination last year is a record one. I am sorry to be unable to say as much of the quality of the work done. It is disquieting to find that in English composition, for example, 65 per cent. of the candidates failed to obtain 50 marks out of a possible 100. After every allowance is made for the disturbance of war, that is not a satisfactory result. It is good to master a foreign language; it is better to begin by mastering one's own. I wish we could get the young banker to realise that the first and essential factor of success in his calling is the ability to think clearly and to express himself accurately in his mother tongue.

The activities of the Institute are not confined to the sphere of education. It was founded to organise the business of banking into a profession; to collate and codify a *corpus* of custom and unwritten law; to procure the adoption of common procedure and uniformity of banking practice; to conserve the general interests of its banking members; to raise the standard of banking education and to test its efficiency by lectures and qualifying

examinations. In the forty odd years of its existence the Institute of Bankers has acquired a position of influence and authority, together with a corresponding responsibility not only to its members, now numbering over 12,000 bankers, but also to the Government and to the general public, who naturally look to it for guidance in all problems of national finance which require technical banking knowledge for their correct interpretation and solution. This is especially true of such questions as the control and management of the currency.

The Cunliffe Currency Committee.

* The Cunliffe Currency Committee, for the most part composed of members of the Institute of Bankers, in an interim report published in August, 1918, recommended the restoration of the effective gold standard which had been practically suspended by the war. It is important to discriminate at the outset between a gold standard and *the* gold standard, *i.e.*, the pre-war standard of 123½ grains of gold to the pound. It must be borne in mind that it was the latter the Committee had in view. By an effective gold standard they meant that notes could be freely exchanged for exportable sovereigns. The conditions precedent to a return to an effective gold standard were stated to be threefold ; first, cessation of Government borrowing ; second, raising of Bank rate in order to check a drain of gold abroad and the speculative expansion of credit at home ; and third, the limitation by law of fiduciary note issues.

The Committee after waiting for a year, during which time their main contention remained unshaken by any serious criticism, issued their final report in December, 1919. "We have reviewed," they said, "the criticisms which have been made upon this part of our report, but we see no reason to modify our opinion. We have found nothing in the experience of the war to falsify the lessons of previous experience that the adoption of a currency not convertible at will into gold or other exportable coin is likely in practice to lead to over-issue, and so to destroy the measure of exchangeable value and cause a general rise in all prices and an adverse movement in the foreign exchanges." The report in its final form met with general assent, and on the 15th December, 1919, the Chancellor of the Exchequer announced in the House of Commons the measures recommended by the Cunliffe Committee for the restoration of an effective gold standard, which had been formally adopted by H.M. Government as a part of the national policy of reconstruction after the war.

The Committee recognised that the process of restoration to economic health must necessarily be slow. No support for any scheme of drastic deflation will be found in their report. On the contrary

they suggested that their proposals should be given a trial for a period of ten years, after which the whole subject might be reviewed. We have passed through only a third of that time and the goal still seems a long way off, but it may serve to hearten us for the final struggle if we pause for a moment to cast a backward glance over the road we have already trod.

It is obvious that of the three conditions laid down by the Committee as precedent to the restoration of an effective gold standard the first, cessation of Government borrowing, is fundamental.

Government Debt.

It is the traditional privilege of Englishmen to grumble at the Government. As one who hails from north of the Tweed I may, I hope, be excused. It is easy to argue in the light of subsequent events that certain things might have been done differently or not done at all, to be wise after the event—back-jobbing we call it in the City—but to my mind it is a barren exercise of the wits, as facile as it is fruitless. Public expenditure is largely a matter of public policy, especially of foreign policy, and for that we must all accept our share of responsibility. As far as the administration is concerned, no one who has had much to do with the personnel of the Treasury department will doubt their high competence or the sincerity of their efforts to practise a wise economy. There is nothing to be gained by bringing railing accusations against men who are as bent as we are upon doing their duty to the country; we are only rendering their task more difficult. Destructive criticism by itself no longer serves any good purpose unless it be to relieve our own spleen. There is no good harking back on the past. What is done is gone beyond recall. We have to take things as they are, not as they might have been, or as we think they ought to have been. Criticism to be of use now must be constructive, and of that there has been little enough. I have certainly no panacea to propose. There is no royal road to reform. If we are ever to get back to an effective gold standard it will be by the exercise of the old virtues of hard work and thrift, public and private, and by no other means. Meanwhile do not let us discourage ourselves—and others—by belittling what has already been accomplished. For the last two years we have as a nation been more than paying our way. We have been able to put by a little and on balance to reduce our internal debt.

It is true that the figures for the current financial year are less reassuring. Since the 1st April last there has been an excess of expenditure over revenue of some £58 millions. It must be remembered, however, that this is the result of the lean half of the financial year. Despite the unprecedented difficulties with which the Treasury is faced (coal stoppage, trade depression, Irish

trouble), I do not despair of seeing a balance on the right side at the end of the year.

But it is not the internal debt of which I wish to speak now, but of the external debt, the consideration of which is more strictly germane to the discussion of a return to the gold standard. The present position is this. Exclusive of one or two negligible amounts, all our obligations to other nations, except the United States, have been discharged. I wish we could say the same of the obligations of other nations to ourselves! I admit that the United States is a grave exception, but surely it is no small achievement, an achievement which has aroused the admiring envy of other nations, an achievement in which we ourselves are entitled to take a legitimate pride, to have succeeded, during the last two troubled years, in paying off over £200,000,000 of our foreign debt.* Furthermore the Chancellor of the Exchequer announced on the 15th December, 1919, that it was the deliberate policy of H.M. Government to abstain from further borrowing, and to that resolution his successor has consistently adhered.

Bank Rate.

I am reluctant to enter upon any subject of controversy, but I believe I shall have with me the general consensus of banking opinion in this country when I say that the experience of the past three years has gone to demonstrate once more the effectiveness of the Bank rate, even when the gold standard is practically suspended, as an instrument for contracting speculative credit and reducing the inflation of prices. On the cessation of hostilities in 1918 the Bank rate stood at 5 per cent. It remained unchanged during the whole of 1918 and 1919. The purchasing power of Europe had declined, but the decrease was veiled by the device of "pegging," or fixing the foreign exchanges, and prices continued to rise. From March, 1919, the upward curve was sharply accentuated by a speculative boom, which by April, 1920, had carried the price index number to the highest point yet touched. The urgent necessity for the prompt application of remedial measures, if a commercial crisis was to be avoided, could no longer be obscured by the sophistry of the inflationists. In April, 1920, a rise in the Bank rate, which was indeed overdue, was made to 7 per cent. What followed—whether *post hoc* or *propter hoc* I shall not pause to enquire—was remarkable. Prices fell three times as quickly as they had risen.

It was doubtless considerations of this kind which led to the reduction of the Bank rate this year by successive stages from 6½ per cent. in April to 5½ per cent. in July of this

*This does not take account of the accumulated interest on our debt to the Government of the United States.

year, and to 5 per cent. last week. It is too soon yet to judge definitely of the result. A change in the Bank rate operates directly indeed on the mind of man in predisposing him to a certain course of action. But mainly its action is indirect in producing the conditions or, if one may say so, the atmosphere congenial to the free functioning of the economic forces of supply and demand. A rise in the Bank rate is the danger signal, the red light warning the business community of rocks ahead on the course in which they are engaged. A fall in the Bank rate is the green light indicating that the coast is clear and that the ship of commerce may proceed on her way with caution.

Generally speaking, economic forces are generally slow in starting but, once started, so great is the momentum of the mass that they can only gradually be arrested or deflected in their course. Still, what has already been accomplished in arresting the fall in prices—I am far from saying the Bank rate was the only cause of the fall—would appear to confirm the faith of the Cunliffe Committee that in the Bank rate, whether for a rise or a fall, we have an instrument of which the action has indeed been obstructed by the adverse circumstances of the Peace, but whose efficiency, for ultimately producing the financial result desired, remains unimpaired by anything that has happened during or since the war. They are not without grounds for their belief who hold more strongly than ever, that in the suppleness of the Bank rate lies its chief virtue and that its efficacy, especially in the way of prevention, would be increased to the great advantage of the community if it were more frequently and above all more promptly applied. There is a sentimental prejudice against changes in the Bank rate which has no real economic justification. In any case the disadvantages attached to frequent changes in the Bank rate are as dust in the balance when weighed against the supreme advantage to trade of comparative stability of prices.

Currency Notes.

When the Committee presented their interim report the fiduciary issue of Currency Notes (August 7th, 1918), that is, of notes not covered by gold, amounted to £237,484,000. In the first year of peace the total steadily expanded until the maximum amount of £325,730,657 was reached at the end of 1919. Since then there has been a decrease of £61,855,952 to the £263,874,705 at which it stood last week. The process of reduction is to be continued. It has been agreed that the actual maximum fiduciary circulation in any one year shall become the legal maximum for the following year. Moreover the Chancellor of the Exchequer has stated (15th December, 1919) that it is his intention to continue the policy of *accelerating* the process of

reduction, as opportunity offers, by further transfers to the credit of Currency Note Account of notes from the banking reserve of the Bank of England. The present position is that the volume of legal tender money (Bank of England and Currency Notes) in circulation is now nearly two and a-half times as much as it was before the war. Bank deposits, in themselves a potential currency, are also two and a-half times greater than they were in 1914. On the other hand, wholesale prices are less than double. Retail prices, unfortunately, have lagged behind. The importance of a further and early fall in retail prices to correspond with the fall in wholesale prices can hardly be exaggerated. The general conclusion is that if the supply of purchasing power is to be reduced to a due proportion with prices the process of contraction will have to be carried considerably further.

How is this to be accomplished? By a contraction of credit or by a contraction of currency? The causal connection between the two is still a subject of controversy, and where economists are at variance it is perhaps hazardous for a mere banker to intervene. But in this company, at any rate, I may be allowed to express the personal view that it is largely a question of emphasis. The expansion of credit and the expansion of currency are so closely inter-connected as to be both cause and effect. It is possible to hold with one school, that but for the expansion of credit there would have been no expansion of currency, and with another, that but for the expansion of currency the expansion of credit would have been impossible. As to which came first opinions will differ. I myself am impressed by the fact that, at any rate for the first two years of the war, the increase of currency in this country preceded the rise in prices. I must, however, qualify this statement by saying that gold was being withdrawn from circulation, and perhaps the question should more correctly be described as one of the time-relation between currency expansion and credit expansion, instead of the relation between currency expansion and price inflation.

There is also to be considered the striking correspondence between the increase of currency and the increase of prices in other countries. It is almost universally true that the rise in prices is highest where the expansion of currency has been greatest. The real point in dispute is not whether the rise in prices is due to the expansion of credit or to the expansion of currency. It is due to both. Both were contributing causes of the rise. The real subject of controversy is the proportionate share borne by each in producing a common result. Some will lay emphasis on the one; some on the other. I see no reason to dissent from the general conclusion of Professor Shield Nicholson in his paper on Inflation read before the Statistical Society in

December, 1916. He says that the root cause of inflation has been the great expansion of Government credit, but then he adds that the credit has only been made effective by being pulverised into currency. And so, by another route, we reach our former conclusion that both will have to be reduced if we are to get back to a due proportion between the general level of prices and the general supply of purchasing power.

Deflation.

The question remains: How long is the process of contraction of credit and currency to be continued? Has not deflation gone far enough? Far enough for what? Far enough to redress the injustice as between different classes of the community caused by the inflation of the war? To the question posed in that form there can be only one answer—No.

The answer is complete but not conclusive. We still have to consider how far inequities have been adjusted by the lapse of time, and whether an attempt to readjust them now might not result in the creation of fresh inequities. The cure of deflation, if carried too far or too fast, might prove to be worse than the disease.

Before we proceed to discuss this question it may be convenient to consider the progress the deflation has already made. If we take as our starting point the general level of prices in 1912-14 and represent the average of those two years as 100, we shall find that the price level in April, 1920, was 313. It took £313 to buy what could have been purchased for £100 before the war—a price increase of 213 per cent. in six years. That was the zenith. Thereafter prices continued to fall more rapidly than they had risen. Instead of being more than three times, prices are now less than twice what they were before the war. What cost £313 in April, 1920, can now (September, 1921) be bought for £192—a fall of 40 per cent. in a year and a-half. Prices are now only 92 per cent. above the pre-war level. I do not think the magnitude of this fall in prices has been generally realised. After the Napoleonic wars the greatest fall in prices was in 1814-16, when the index number (Jevons) fell from 153 to 109, or 28.8 per cent. in two years. Within three years of the cessation of the great war of 1914-18 we had a fall nearly as great in three months. I know of no parallel to a reduction in values of such magnitude and velocity. That it should have been accomplished, not indeed without suffering but in comparative safety, is a tribute to the soundness of our financial system and, if I may say so, to the efficiency of British banking.

Stability of Prices.

High prices or low prices *as such* are obviously indifferent. To use John Stuart Mill's celebrated illustration, if all the units of purchasing power of the community were by a magician's wand doubled in the course of a night, nobody would rise up the next morning one whit better off. Prices would have doubled just as the circulation, using the word in its widest sense, had doubled, and that would be all. If fluctuations in prices were uniform we might view the result with equanimity. Unfortunately for the happiness of mankind, fluctuations in prices never are uniform. The index number is only a convenient common measure of the movement of the prices—some of which may be rising while others are falling—of certain selected commodities which may be taken as representative of the whole.

It is striking how at every turn of a survey of the actual economic situation we are confronted with the problem of prices. It is not too much to say that upon the successful solution of that problem it depends whether this country is to continue to expand its activities, or to contract them to the measure of a few expert occupations on which a diminished and probably shrinking population might continue to subsist. To produce more goods for home consumption will not save us. It is not even enough to produce surplus goods. They must be the right kind of goods, the kind of goods our customers want, offered at the price they are able and willing to pay. This does not necessarily imply a return to the pre-war price level. International trade depends upon comparative cost. It is a question of *relative* prices. Goods will only be exported to those countries where there is a reasonable expectation of their exchanging for a greater purchasing power than they command in the country of export. When the gold standard is in function, if gold is under-valued relatively to goods, in other words if prices are relatively high, it is more profitable to ship goods than gold. Conversely, when goods are under-valued, that is when prices are relatively low, then it is the gold that is shipped. What follows is that the quantitative relation between goods and gold is altered. In the one case prices fall, in the other they rise until the equilibrium of world prices is restored.

The great advantage of the gold standard is that the possibility of the export of gold limits the fluctuations of exchange to round about the parity. The great disadvantage, from the point of view of foreign trade, of a paper money régime is that there is no definite limit like the specie point to the fluctuations of exchange. But this must not blind us to the fact that the principles which determine the general level of prices under an effective gold standard operate in the same way under a paper money régime, with this important difference, that the supply of gold is limited by the

amount of gold dug out of the ground, while the supply of paper money is determined by the financial policy of the Government.

In present circumstances a rise in the price level of this country relatively to that of any other country is no longer adjusted by an export of gold; it is compensated by a fall in the exchange. The old parity of exchange between gold-using countries has disappeared for the nonce, and its place has been taken by what is known as the "purchasing power parity," a theory lately associated with the name of Professor Cassel, of Stockholm. The theory is not indeed new. It will be found stated, at least by implication, in the works of the standard economists. An analysis of the general formula was made as far back as 1888 by Professor Shield Nicholson in his "Money and Monetary Problems."

To return to Professor Cassel. Our valuation of a foreign money, he says, depends on the relative purchasing power of the currencies of both countries. Hence, the following rule: When two currencies have been inflated, the new normal rate of exchange will be equal to the old rate multiplied by the quotient between the degrees of inflation of both countries. The rate calculated in the way indicated must be regarded as the new parity between the currencies. This parity may be called the "purchasing power parity," as it is determined by the quotient of the purchasing powers of the different currencies.*

It is a neat formula, but its practical utility, it seems to me, is greatly impaired by the difficulty of determining what is the relative purchasing power of the two currencies. Ordinary index numbers refer to the prices of things in general and not specifically to the smaller group of things that enter into international trade. "To know that things in general had quadrupled in price in France and doubled in price in America would not, therefore, enable us to infer that a fifty per cent. fall in the dollar value of the franc was required to restore equilibrium. That inference would only be warranted on the assumption that the prices of things in general, as recorded in the index numbers of the two countries, had moved exactly parallel with the prices of the goods actually entering into the international trade; and that assumption cannot properly be made."†

Devaluation.

I do not know how far I have been able to carry you with me, but if we accept the finding of the Currency Committee that there

* Quoted by Dr. Chandler in the "Commerce Monthly," May, 1921, National Bank of Commerce in New York.

† "The Political Economy of War," p. 172, by Professor Pigou. MacMillan and Co., 1921.

are sound reasons for a return to the pre-war parity, then I think we must recognise frankly that this cannot be done—unless, indeed, new and unexpected inflation should take place in America—without a considerable amount of farther deflation in this country. This once more raises the question, How much farther? Has not deflation gone far enough?

A short time ago I asked: Far enough for what? I now ask: Far enough for whom? If the question is put to the working man who is out of work, to the mineowner who has had to shut down his mine, to the manufacturer who has had to close his factory, to the farmer who has turned his tillage into pasture because he can no longer raise crops at a profit owing to the decline in prices, the answer will be in the affirmative. If the same question is addressed to the workman who is fully employed or to the mineowner, or the manufacturer who is so advantageously circumstanced that he can still produce at a profit; above all, if we ask the question of the great mass of the professional classes who depend upon a fixed income, the answer will be in the negative. It is this clash of different interests within the community which makes it so difficult to determine at what point deflation may be said to have gone far enough.

One popular argument against further deflation requires notice here. It is argued that a return to the old pre-war parity would increase the proportion the internal debt bears to the sum of money incomes. It is not high prices, but rising prices that are the cause of large profits. Conversely, falling prices are associated with diminished profits. Salaries fall in sympathy with the fall in profits. Income Tax becomes more burdensome and less productive. Taxes on commodities which are fixed in money tend to become unproductive altogether owing to diminished consumption. In effect it becomes more difficult to balance the budget. All this may be admitted without conceding the paradox that the proper way to balance the budget is by more inflation and not by more reduction of expenditure.

The general conclusion with regard to further deflation is that the interests of the community as a whole are likely to suffer if the fall in prices is carried to a point which will check the future production of the raw material of industry. There would then be the danger of the revival of trade we all expect meeting with such a shortage of raw material as to provoke a violent reaction in prices and thus to prevent or delay the advent of that relative stability upon which successful trade depends.* The serious decrease this year in the area of cultivation of such staple crops as cotton and jute is significant.

* For a summary of the evils of deflation see: "Inflation and High Prices," by Prof. Kemmerer. Oxford University Press, 1920.

Stability of prices in this country will not, of course, in itself produce stability of exchange with another country, America for example. There must be stability at both ends. We know how the obstacles in the way of correcting the New York exchange last year were increased by the fact that deflation took place more rapidly in the United States than in this country. In fact, if America should again inflate, exchange will be steadier if we inflate too than if we do not. So far, therefore, as the maintenance of our international trade is concerned, it must be admitted that the argument in favour of pushing deflation to the point which would ensure a return to the pre-war parity is *pro tanto* weakened.

Why then, it may be asked, should we continue to wrestle with the burthen of deflation with all its attendant ills when a way of escape presents itself, not by abandoning the gold standard, but by the simple expedient of altering it? Is there anything sacrosanct, it may be asked, in the ratio of 123 grains of gold or 4.86 American dollars to the pound? How could we be prejudiced if the pound were reduced to $92\frac{1}{2}$ grains gold and the American exchange to a new parity of 3.65 to the pound? It is true that gold would then command a premium of 33 per cent.; that is, it would be quoted at £5 3s. 8d. instead of £3 17s. 9d. per ounce in paper money, while the paper pound would be worth only 15s. in gold. What would that matter? It is worth a good deal less now. And as for the American exchange, we should go back at a stroke to the much vaunted automatic standard system by which we set such store. Prices would be stabilised at the new level by gold flowing out when exchange fell below the new parity of 3.65, and flowing in when it rose above it just as it did when the parity was 4.86. Why not?

An unlettered man, I never listen to the learned Dons—I hope I have stated their case fairly—who advocate this course, and suffer the charm and vivacity of their exposition, and realise my incompetence to make an adequate response, without feeling constrained to adjure them in the words of Oliver Cromwell to the General Assembly of the Kirk of Scotland, “I beseech you, consider it possible you may be mistaken.” Do not let me be misunderstood. I intend no sneer. I hope I should be the last man to underrate the value of the theoretical economist. I am too sensible of my obligations. Where long periods have to be considered the theoretical economist is indispensable to business men. Indeed, if ever I felt tempted to treat his judgment lightly it would be sufficient, in order to render me dumb, to remind me of the great boom of 1920, and where our hand-to-mouth business opportunism led us then. I know that economists have no other aim than to consider these questions strictly on their merits, and with the scientific object of discovering which solution will

most promote the general good. That is the criterion to which we must all bow. For my part, I am not concerned to deny that in an ideal world devaluation might be the ideal plan. But I must be allowed to remark with respect, that it is not enough for a principle to be shown to be logically indefeasible in the seclusion of the economist's study. We have to take the world as it is. The principle must be brought down into the hurly-burly of the market place and proved in operation there, through the medium of the heart and mind of ordinary men, in conflict with their opposing interests, their changing purposes, their unruly passions and their defective wills. That, to my mind, is where Professor Cassel's devaluation proposal falls short. It may have all the merits claimed for it, but if it fails to take sufficient account of human nature, or, shall I say, of human nature as we know it in these islands, it is doomed to nullity. To suppose that a people so conservative by instinct, so tenacious of custom, so careful of tradition, could be induced to trample on their monetary past and to relinquish the dearly purchased gold standard, which rightly or wrongly they believe to be bound up with the prestige of their national credit and their supremacy in international finance, is to live in a world of illusion.

Sentiment? Yes, certainly; we have to take account of sentiment. The world is swayed by sentiment. It will not do to say that devaluation is merely the recognition of an accomplished fact, since the pound is worth less than fifteen shillings to-day. Is that a reason for perpetuating a tort? Even a fifteen shilling pound we might put up with, if it offered any reasonable hope of permanence. But does it? Suppose the process of deflation were continued in America, or that, owing to further inflation in this country, prices were forced above prices in America, then gold would be exported. It is true that on the supposition of a lower parity it would take less gold at 3.65 than at 4.86 to bring about the adjustment of relative prices and restore the new parity of exchange. But if the difference in prices were maintained or extended by further inflation, the gold would continue to leave us with all the evils of uncertainty of exchange enhanced by the haunting fear that our stock of gold might prove unequal to the strain. "Oh, but then," says the theorist, "you could fix a new parity of exchange." Quite so; but what then becomes of your stability? I do not wish to take any dialectical advantage or to push this argument too far. I admit that if trade were more or less in balance there would be no more reason for a breakdown from a new parity than from a restored old one. I am only concerned here to make the point that the times are not propitious for the change. The fact is that the condition precedent to the success of Professor Cassel's scheme for the stabilisation of exchanges abroad is the stabilisation

of prices at home, and we appear to be a long way from that yet.*

The proposal is premature. It is also inopportune. It is not only premature and inopportune. It is also inexpedient. The situation of the working classes in this country might well give us pause when we are asked to arrest the fall in prices. Money wages rose with the boom, but upon the whole they lagged behind prices, and Mr. Clynes had reason on his side when he said, in his address to his Trade Union Conference, that the advance in real wages could only come with the fall in prices. If this is true of the working classes, it is true in a far greater degree of the middle classes, people living on small fixed incomes. Bankers know better than most people the bitter suffering, for the most part silently, indeed heroically borne, which inflation has inflicted and still inflicts upon the professional classes whose remuneration is fixed by custom, upon retired officials living on their pensions, and upon their widows and children who are dependent upon annuities for their support. I do not intend to use the language of exaggeration when I say that unless something is done for their relief, there is a danger of a large section of this valuable portion of the community being wiped out, as it has already been wiped out in Germany. I see no hope of the restoration of the old standard of living and of comfort for the great middle class of this country unless prices are further reduced.

Socially and economically the country is in a terrible mess, and it will take a long pull, a strong pull, and a pull all together to extricate it from its difficulties. We shall never succeed if some are pulling one way and some another. It demands a concentrated, co-operative and sustained effort. It is simply mischievous at such a time to unsettle men's minds and to distract them from the work in hand by dangling before their eyes the ingenious and insubstantial nostrums of claustral economics. The situation is serious, but there is nothing to be gained by exaggerating it, or treating it as if we had never been through similar experiences before. In my judgment there is a tendency to lay far too much emphasis upon the war as the sole cause of our troubles, and to make that an excuse for abandoning as no longer applicable the ascertained laws of political economy. The war has, of course, greatly aggravated the present distress, but it is doubtful, even had there been no war, if we should have escaped the commercial crisis which

* "The internal value of money in a country should be stabilised. The Utopian idea of a restitution of the pre-war value of money should be abandoned, and the future financial policy should be determined as soon as possible and given publicity." "Das Geldproblem der Welt," by Professor Cassel, cited in "Economic Review," September 30th, 1921.

was surely impending in 1914. There is too much similarity between the crisis of to-day and the great crises of 1847, 1857 and 1866 to let us doubt this paradox. All the great historical crises have been marked by a departure from sound, and by sound I mean established, currency principles. The practical sense of the business men of these days led them to the conclusion, that the only cure for these evils was to reverse the process and to return to the old paths. They have been justified in their action, as we shall be if we share their faith. Let us have done with short cuts and by-paths, and, *ohne hast ohne rast*, bend our energies to return to the old standard. The road may be long and painful, but our fathers have trod it before us and *we know the way*.

On this point bankers are bound to speak with no uncertain sound, and for my part I take my place by the side of that veteran banker, Sir Felix Schuster, in his resolute determination to "return as soon as possible to the pre-war gold standard . . . whether it be this year, next year, or in five, six, or ten years." That is the policy he believes we in the United Kingdom should have constantly before us.* That is the policy which I hope the Institute of Bankers will endorse to-night.

One word in conclusion. Since its origin is similar, the crisis through which we are passing is not likely to follow a materially different course from those we have experienced in the past. There has been the same speculative boom. We are now passing through the usual sequence of a period of stagnation. We shall shortly enter upon a period of trade recovery. Already in the Far East, where the trouble began, are to be discerned the first faint streaks of dawn. In India and China trade is reviving. A little more patience, a little more steadfastness, and success is assured. A little longer and the old supremacy of this country as the acknowledged leader in the finance of the world will return. Is this a time to lose heart or to falter in our task? "If we make ourselves too little for the sphere of our duty—if, on the contrary, we do not stretch and expand our minds to the compass of the object—be well assured that everything about us will dwindle by degrees, until at length our concerns are shrunk to the dimensions of our minds. It is not a predilection to mean, sordid, home-bred cares, that will avert the consequence of a false estimation of our interest, or prevent the shameful dilapidation into which a great Empire must fall by mean reparation upon mighty ruins."

* International Chamber of Commerce Conference, London, 1921. Speech by Sir Felix Schuster.

November 28, 1921.

My dear Sir Charles:

I note from your letter of November 7, that you have not received the copy of the Agricultural Inquiry Report, which I sent you sometime ago. I do hope that it will arrive in time so that you may read it at leisure on your voyage to China.

I am grateful to you for the copy of your Inaugural Address at the Institute of Bankers on November 8, which I read with much interest and pleasure.

With kind personal regards, and wishing you a most delightful voyage to the Far East, I am,

Yours sincerely,

Sir Charles S. Addis,
9 Gracechurch St.,
London, E. C. 3.

GB:MM

here and Canton. We sail
for Shanghai on the 17th Jan'y
and thence by Hankow
to Peking. From there I
propose to go by Moukden
to Vlad and so by Fusan
to Tokyo. Unless our plans
materialize I shall hope to
catch a glimpse of you
before ~~leaving~~ passing through
New York some time
in March or early April.

Believe me with all
good wishes.

Yours sincerely

B. S. Addis

ACKNOWLEDGED

ST. JOHN'S PLACE,
HONG KONG.

JAN 30 1922

B. S.

1st January 1922,

My dear Strong.

I wish you very
sincerely a happy New Year,
bringing you in its train
health and content.

Anderson's committee
report reached me on the eve
of sailing and I spent some
agreeable hours perusing it
en voyage. I skipped Harding
but read Williams with some
attention. He is really an

interesting instance of how
easily a clever man with
apparently not much character
behind him may become
the slave of his prejudices.

If the eye be evil ... how
great is the darkness!

Thankfully there is a soul of
goodness in things evil and,
like Kingsley and Newman,
Williams has given you
the opportunity of a
fine apologia. Your case
seems to me to be stated
with admirable temper.

legally, fully.

Your case is complete and
your work done, it should
think, once for all. It
will become historical in
the history of banking.

In sending you my
sincere congratulations, may
I add my humble tribute
of praise for the almost
superhuman restraint
shown in the reduction
of anecdotal to a
minimum! Wonderful!

We have been spending
a pleasant fortnight between

Addis

January 30, 1922.

My dear Addis:

It was most kind of you to write me so fully on January 1, after reading the statement which I made before the Commission. But I must say your letter gives evidence of a degree of patience and fortitude, in having read so much of it, beyond what I could expect of the best of friends. What you say about Williams is altogether true, and can be said of a number of others who have been associated with him in this unfortunate and misguided attack on the System. Unfortunately, also, matters have taken a new turn, more personally disagreeable in some ways, but on the other hand reflecting no credit upon those responsible for the development, in that attacks are now being made upon the salaries paid to the officers of the reserve bank, our expense accounts, the cost of our bank buildings, &c. &c. The main question seems to be disposed of for the moment. In time, however, it may crop up again, as only another evidence of a desire upon the part of the ignorant to make money either by printing it, or credit easy by manufacturing it in some fashion or other.

I am so pleased with what you say about the restraint which I had shown in avoiding anecdote. There was a tremendous temptation to throw in a lot of that sort of thing to bring ridicule upon some of our critics. I think I did let go once or twice, but beyond that had sense enough not to mar what we tried to develop as a dignified presentation.

I envy you your trip, which covers much of the ground that I took going the other way; but look forward with keen pleasure to seeing you here

January 30, 1922.

in March or April. This letter I must send to London failing better address, although I may be able to get a more direct communication by consultation with your New York office, which I shall do before mailing.

Yours sincerely,

Sir Charles S. Addis,
c/o Hong Kong & Shanghai Banking Corporation,
Yokohama, Japan.

DS:MM

MAY 20 1924
9, GRACE CHURCH STREET,
LONDON, E. C. 3.

15th April 1924.

My dear Strong,
I am sending
you a copy of Ramsay
MacDonald's memoir of
his wife. It may repay
you to glance at the
beginning and end
of it, just to see what
manner of mystic-mo-
man this Prime Minister

of arms is.

Yours always

B. S. Davis

May 26, 1931.

My dear Addis:

It was most kind of you to remember the interest I took in what you said about Ramsay MacDonald's book. It reached me safely in Paris and I read it with a great deal of interest.

After a little upset in Paris I managed to make a very comfortable return home and now am about half in harness, but this year I propose to take things rather easy.

It was a great pleasure to see you in London. I wish we could do it oftener.

With kindest regards to you and the others in the bank, I am,

Yours sincerely,

Sir Charles S. Addis,
9 Gracechurch St.,
London, England

Addis

9, GRACECHURCH STREET,

LONDON, E. C. 3.

10th June 1924.

My dear Strong,

This is just
a line (to which you
are not to reply) to say
with what deep sympathy
I received your letter
of May 26. You do not
say much, but it is
clear your health has
not been satisfactory.

and I fear you have
much to suffer. I do
not suppose you have
any idea how many
of us here hang on to
you as the strongest
link in the chain of
a common policy
between England and
the U.S. on which the
salvation of Europe,
and that means of
the world, depends.
If you did, I believe

you might take some
comfort in the number
of your friends here
who cannot sufficiently
admire your pluck
and constancy and
unselfishness; and who
most deeply feel with
you and most
earnestly desire your
complete recovery.

Believe me, my
dear strong, always
Yours sincerely
B. S. Davis

9, GRACECHURCH STREET,
LONDON, E. C. 3.

ACKNOWLEDGED

APR 24 1925

14th April, 1925.

My dear Strong,

My friend of yours
will be welcome to me. I shall
be delighted to meet Mr. Winston
if he finds time to call.

Events are moving apace.
The long and sterile period of
uncertainty is drawing to a close.
I should like to see a clean cut -
the way to resume is to resume -
but if we must have trimmings
the ones proposed are probably as
innocuous as can be devised. In a

event let us be thankful we have
escaped the 'managed currency' people.
We shall have enough 'managing'
to do when we start our Convention
of Central Banks!

Gilbert is winning golden
opinions in Berlin and deservedly.
He is a great man; and so simple
and sincere. We all love him.

always, my dear Strong,

Yours sincerely,

B. S. Adair

Addis

April 24, 1925.

My dear Sir Charles:

Again pardon a typewritten reply to your kind note of the fourteenth. It is the best I can do these busy days.

It is true that events are moving on a pace. I am very glad of it. On the whole, I think the program arranged is a wise one. It is wonderfully flexible and will have the effect of drawing us all closer together for a common purpose. That is something in itself.

What you write about Gilbert delights me tremendously. He is such a splendid fellow, and as you say, is really a great man. But I cannot help feel as you do at times that he is more a great boy. You will not mind, I hope, if I send this quotation in your letter to my associate, Secretary Mellon, who is very fond of Gilbert and a great believer in him.

I have just had a fine visit with Peacock who seems well, and gave me recent word of some of my friends in London.

With kindest regards as always,

Sincerely your friend,

Sir Charles S. Addis,
c/o Hongkong & Shanghai Banking Corp.,
London, England.

B3.L3

Addis.

9, GRACECHURCH STREET,
LONDON, E. C. 3.

24th Decr 1926.

My dear Strong,

We often think
of you here and
Christmas eve seems an
appropriate time to
tell you so. Harrison
tells me you are better
and I earnestly hope
you may soon be
restored to health
and vigor in order

FILED
DEC 18

- and I know this is
the dearest wish of your
heart - to join in the
task, where you have
already accomplished
so much, of redressing
the ills of an impoverished
and distracted world.

I think the best
Christmas gift we
could send you would
be Montagu Norman
and I am urging
him to go. But I
don't think he needs

much urging!

Yours always
F. S. Addison

Addis

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., February 16, 1927.

My dear Sir Charles:

This is a very belated acknowledgment of your kind note of December 24th. You will need no explanation of the delay. I want you to know, however, that I appreciate your writing me very much indeed and especially the kind things you express in your letter.

I had a fine visit with Norman and was glad to find him in such good form. If, as I hope, it is possible for me to be in London this Summer, it will, I trust, not be while you are away, as was the case last year.

With many good wishes, I am

Sincerely yours,

Sir Charles S. Addis,
9, Gracechurch Street,
LONDON, E.C.3.

ES:M

b. R. M. Kindersley
Governor

Hudson's Bay Co
(1916-25)

Director of
Bank of England
1914-1916

1920-1921

15, CHARLES STREET,
BERKELEY SQUARE,
W.1.

Dear Mr. Strong

It would give us
much pleasure if
you could dine with
us on Monday next
20th at 8^o - ¹⁵₀, Mr. Hornum
is also dining with
us.

Hoping very much
to find you disengaged

Sincerely yrs

Lady M. Kindersley

17.12.20

TELEGRAMS
DRAZAL, LONDON.
TELEPHONE
LONDON WALL 7932.

11, Old Broad Street,

E.C.2.

C/KH

9th July 1921

GENERAL FILES
JUL 28 1921
FEDERAL RESERVE BANK
OF NEW YORK

B. Strong, Esq.,
Federal Reserve Bank of New York,
NEW YORK.

My dear Strong,

Many thanks for your letter of the 21st June
telling us of Mr. Pierre Jay's arrival.

Unfortunately, I have to leave for Paris tomorrow
but I hope to be back in a few days, when I shall do myself
the pleasure of calling at Mr. Jay's hotel. I have already
written him a note to say that if there is anything we can
do to help him during his stay he must not hesitate to make
use of us. No doubt we shall also meet on several occasions
at the Bank.

Conditions here are if anything slightly better
since the finish of the Coal Strike but they are still far from
satisfactory. Our retail prices are taking, in my opinion,
much too long to adjust themselves to the wholesale prices,
and this is making the wage situation naturally much more
difficult than it need be. There is no doubt that our
retailers are still exacting a great deal too much from the

B. Strong, Esq.,

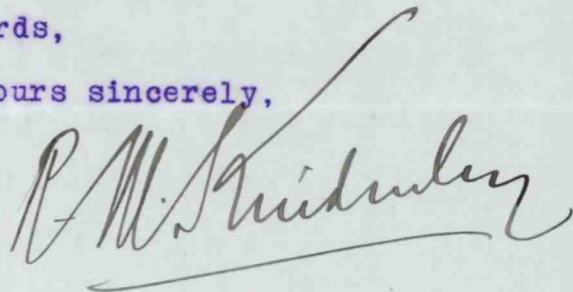
9.7.21.

public, but I hope that this situation will have adjusted itself by the Autumn.

On your side you seem to have made much better progress than we have in this direction, and your wage problems are therefore probably more easy of solution than ours.

With kind regards,

Yours sincerely,

A handwritten signature in dark ink, appearing to read "R. M. S. Hildner", with a long, sweeping underline.

13
C Sir Edward Peacock

Director of
Banks of England
1921-1928, 1929-1946

Member of
Barings Brothers

1926

July 27, 1921.

My dear Kindersley:

Many thanks for your nice note of July 9.

Norman has written me of Jay's arrival, and pleased me greatly by commenting upon the fact which I had anticipated right along, that you had found him a satisfactory member of the bank family. He is a rare and delightful person, and you will enjoy knowing him.

Many thanks also for what you write of conditions in England. I think you credit us with more than we deserve in the way of progress in the solution of many of our difficulties. But we are making progress, and underlying conditions are improving, although superficially the evidence of it is not very convincing as yet.

Sincerely,

Sir Robert M. Kindersley,
11 Old Broad Street,
London, E. C. 2,
England.

BS:MSB

ERVE BANK
NEW YORK

THIS ENVELOPE NOT TO BE

INTER OFFICE CORRESPONDENCE ON

ivate

for B.S. alone

TO— NAME

NAME

DIVISION

FROM

TIME

BENJ. STRONG

correspondence.

with Mr. E. R. Peacock — London.

THIRTY THREE LIBERTY STREET

NEW YORK 45, N.Y.

PRIVATE
CORRESPONDENCE
with E. R. PEACOCK

[In envelope marked private and confidential]
[C O P Y]

8 - 10 - 26

8, Bishopsgate
London, E.C.2.

Dear Strong

This is the first day in which I could write anything re Mont. though I've been involved almost daily since you left. It is now settled that Mont. is to go on for another year + that during that time the whole question of rotating governor or some other form is to be investigated + a decision reached. I am determined that this shall not be neglected + I am confident as to the result Revelstoke shares my views as to what should result but is not so confident that it will turn out so - but it is he who must do it + I believe in his influence with the Court. He has brought the Court to see that they must have Mont. this year + assures me that he will have not only the support but the cordial good will of all the Court. On that assurance I advised Mont to accept though up to that point I had advised him to refuse + he had done so.

We tried to get him to accept Trotter for a year - he said he would gladly sit in the next room with Lubbock as Governor + really direct affairs but though he would do his best with T. if we should insist, he must tell us that it would break down within three months. This was to Revelstoke + me alone. R. insisted that, to get out of the tangle Mont must say that much to the Committee of Treasury + I released him from his promise to you + me for I felt we were at a deadlock - and now we have the result above. Trotter himself agrees it is the proper course + has been splendid - he is hurt that M N. said he could not work with him. Some one told him, but otherwise alright. This is just a hasty scrawl as I have to catch the Paris train in 10 minutes. I'll write more later. I am so sorry to learn that you have been ill but hope this will find you quite well again.

As ever

[Signed] E.R.Peacock

8. 10. 26

8, BISHOPSGATE,

LONDON, E.C. 2.

Dear Strong

This is the first day
on which I could
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Though I have been involved
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to be investigated & a
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& I am confident
of the result. Revelstoke

Shares my views, ask
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but is not so confident
that it will turn out
so - but it is he who
must do it & I believe
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8, BISHOPSGATE,

LONDON, E.C. 2.

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I am so sorry to
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been ill but hope
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as ever

ER Peacock

PERSONAL

October 20, 1926.

Dear Mr. Peacock:

I have just returned from Washington after a hurried trip and want to give you a message which Governor Strong asked me to send you two days ago just before I left town.

As you may have heard, he has been quite sick since his return to this country. Three weeks ago he was sent to bed with a bad attack of influenza, which we learned later developed into bronchial pneumonia. While at first there were no very alarming symptoms, nevertheless about a week or ten days ago his condition was quite serious. Fortunately, however, the pneumonia has now run its course and while he is still very weak and in need of the greatest care, he has turned the corner and is progressing as well as we might hope or expect in the circumstances.

Until the day before yesterday he had not been allowed to see any one, but when the doctors let him send for me that day, he asked me to write you to say that he has received your personal note to him but that on account of his illness it has been impossible for him even to acknowledge it. Because of the confidential nature of your letter he says that you will understand my telling you merely that he has received it and that he will answer it himself when he is able to do so.

I cannot tell you how upset we have all been about his illness nor indeed how much we miss him at the bank. But we are all so happy that he is

October 20, 1926

now quite out of danger that it is easy for us to reconcile ourselves to his
sence, which I am afraid will still be a matter of weeks, and perhaps months.

This letter is not very cheerful, but it at least gives me the opportunity again to thank you for your kindness to me when we crossed together on the Majestic last year. I felt so miserable most of the time that I was doubly grateful to you. I only hope I may have an opportunity to see you again some day when I may not be such a load on your hands!

With kind personal regards, I am,

Faithfully yours,

G. L. A.
mc

Mr. E. R. Peacock,
20 Curzon St.,
London, England.

GLH:MM

Confidential



BRITISH GOODS
ARE BEST



Benjamin Stroup Esq.
270. Park Avenue.
New York.
U.S.A.

25. 10. 26

8, BISHOPSGATE,

LONDON, E.C. 2.

Dear Strong

I wrote you in

great haste when an
agreement had been
reached by the chief
people at the Bank of England
- I now write to tell you
that at a meeting of the
full court, with the exception
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year. Trotter wrote a letter
which was read, saying
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of Europe, we could
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The formal ratification
will come very soon -
4th of November, I think -
Hubback becomes defunct
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It was intimated that
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the next 12 months -
a strong committee
will be appointed ad hoc.
All aspects will come
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Having regard to the
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8, BISHOPSGATE,

LONDON, E.C. 2.

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Hubbark had better be
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& thought in that event
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has largely evaporated.
I hope we shall have
less of it. Of course he
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way about keeping
things to himself & there
will have to be plain
speaking about this but
it will be done kindly.
I hope you are better.
Yours sincerely
E. A. Maccoak

25.10.26

8, Bishopsgate,
London, E.C.2.

Dear Strong

I wrote you in great haste when an agreement had been reached by the chief people at the Bank of England.

I now write to tell you that at a meeting of the full court, with the exception of Norman, Revelstoke put the case + had the unanimous support of the Court in asking Mont to go on for another year. Trotter wrote a letter which was read, saying that in the present state of Europe, Mont could not be allowed to retire. The formal ratification will come very soon - 4th of November, I think. Lubbock becomes deputy but understands that he will not likely step up.

It was intimated that the whole question must form the subject of a searching enquiry in the next 12 months + a strong committee will be appointed ad hoc. All aspects will come within the reference, including question of permanent Governor + Deputy. So I think the question may receive proper consideration at last.

Having regard to the commitments already entered into with Trotter I favoured an arrangement under which Trotter should become Governor for a year with Mont in the next room, directing matters + an agreement that the whole question should be considered + settled during Trotter's year - but Mont. was sure it would not work. Mont thought Lubbock had better be appointed Governor + thought in that event he could direct for a time, but Revelstoke, wisely, I think, decided that if Trotter must be passed over anyway, there seemed no good reason for not continuing Norman. Things will be unsettled till there has been an authoritative decision after proper investigation but I am happy to think that there is now a prospect of this being done. Revelstoke tells me that the adverse feeling about Mont. which seemed to be developing has largely evaporated. + I hope we shall have less of it. Of course he will have to reform his ways about keeping things to himself + there will have to be plain speaking about this but it will be done kindly.

I hope you are better.

Yours sincerely

[signed] E. R. Peacock

8, BISHOPSGATE,

LONDON, E.C.2.

1 November 1926.

My dear Strong,

I am just in receipt of a letter from Harrison telling me that you had received my first private letter and that you had been seriously ill but had definitely turned the corner. I hope very much that this will find you greatly improved in health, though I have no doubt that after such an attack it will be necessary for you to take a rest for some considerable time.

I have twice written to you a private note in great haste about our mutual friend's affairs, and I fear that in those letters I did not properly express my anxiety about you and my hopes for your early recovery. It happened that on both occasions I found myself with very short time in which to catch the mail, hence the hurried letters. Affairs in that quarter are going on quietly and I think satisfactorily.

The Belgian Loan has kept us all pretty fully occupied for some time, but has gone well and I have very good impressions of the prospects in Belgium. Mr. Frank seems to be determined to follow the narrow path and to realise the

unpopularity he may have to put up with in doing so.

With kindest regards and all good wishes,

Yours sincerely,

J. R. Peacach

P.S. Please do not answer any of my letters.

Benjamin Strong Esq.,

270, Park Avenue,

New York.

Per "Swiatkan"



Benjamin Strong Esq,
270. Park Avenue.
New York.

U. S. a.

Strictly Private:

November 8, 1926

My dear Mr. Peacock:

I have just seen Mr. Strong, who is still very weak as a result of his illness, and he has asked me to send you the following message in the place of a reply to your letter of October 25, and the earlier one, October 8:

"When Mr. Peacock's first letter came, I was so ill that while it was given to me to read, I did not appreciate its significance, and was unable to send any reply at all. But yesterday I read it over again with Mr. Peacock's letter of October 25, and now the situation appears to be perfectly clear."

Mr. Strong wished me to convey the following comments, which are sent in this manner because of his inability to write. No one else will see them.

"(1) He feels that the solution of the impasse is the only one which was possible.

(2) He feels that releasing 'M' from his commitment to him and to you is amply justified in view of the outcome of Lord Revelstoke's representations to the Treasury Committee and their reaction.

(3) He feels that the attitude which 'T' has taken is splendid and now puts the whole burden upon 'M' to adjust to the situation.

(4) He also feels that 'L's' attitude is magnanimous and fine, and that that puts the burden upon 'M'

(5) And, generally, he feels that the attitude of all his associates, even those who have been most active, to judge by your letter, makes it of the utmost consequence that 'M' should meet the requirements of the situation exactly as described in your letters.

(6) He feels that the outstanding difficulty, which is a fundamental matter of temperament and character is capable of being dealt with by him, especially with the organization as now arranged, and if he fails to meet the situation in that respect it seems as though he would be definitely in the wrong."

Mr. Strong expressed the greatest possible appreciation of your two letters, and he wished me to say that they have removed a load from his mind, -

11.8.26

the whole subject having caused him the greatest anxiety until the receipt of your last letter.

So that you may quite fully understand the apparent neglect in Mr. Strong's not answering your letters before, I wish to let you know, at his request, just what happened about his illness. Only two or three days after his return, Mr. Strong was taken ill with influenza, which almost immediately developed into bronchial pneumonia. He was desperately ill for some days (which may not have been fully realized because of the guarded cables sent both to Mr. Norman and Mr. Jay in the beginning) - in fact he had a very narrow escape. But about two weeks ago he turned the corner, and recently he has been improving steadily, though slowly, of course. Now he is being prepared to be taken to Colorado to complete his recuperation. It scarcely seems possible that he will be able to go before early December, and the length of his stay there depends upon the rapidity with which his strength returns. But I think it will not be misleading to say that it will be Spring before he is able to return to the office. For the present, therefore, messages of the foregoing character are about all that he can attempt, although later he will endeavor to write you by hand.

Very truly yours,

Secretary to
Mr. Benj. Strong.

Mr. E. R. Peacock,
20 Curzon Street,
London, England.

Mr. Strong dictated the whole of this letter, save the last paragraph, and that he asked me to add. Nov. 8, 1926

A.S.A.C.

8, BISHOPSGATE,

LONDON, E.C.2.

Private.

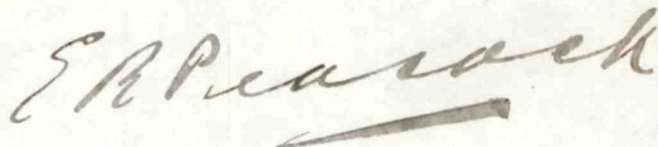
17 November 1926.

Dear Mrs. Lundie,

I am very grateful to you for your letter of November 8th and am so glad to learn that my letters relieved Mr. Strong's anxiety. I have taken the liberty of showing your letter to Lord Revelstoke and we are both very much pleased to have Mr. Strong's comments on the settlement and to find that he considers it satisfactory.

We did not realise for some time how very seriously ill Mr. Strong was or I should probably not have troubled him with a letter at all until later on; however, my letters have apparently done no harm and it is comforting to learn that he is now on the way to recovery and will soon be in Colorado. I hope when he gets there he will pick up rapidly.

Yours sincerely,

A handwritten signature in dark ink, appearing to read "J. B. Pearson". The signature is written in a cursive style with a long horizontal stroke at the end.

Mrs. Gordon Lundie,

Federal Reserve Bank,

33, Liberty Street,

New York.

d Henry F Trailles
1925-

[F C Director of
the Bank of England
1912-1945-]

J Henry Schriener
1902-

Twenty-Seven Pine Street
New York

October 15, 1925.

Dear Mr. Governor:

I am writing on behalf of Baron Schröder who is absent from New York and has left his appointments in my hands. Before leaving he sent a radio to Dr. Schacht on the S.S. "Deutschland", asking him to reserve an evening to dinner. This morning Dr. Schacht replied as follows:

"Thanks your kind invitation which shall be glad accept but as all my arrangements go through Federal Reserve Bank please communicate with Strong best regards."

Would you therefore kindly consider the possibility of making a plan in Dr. Schacht's schedule to allow him to dine with Baron Schröder one evening during his stay.

Baron Schröder will be in New York from Monday, October 19th, until Thursday morning, October 22nd, when he has planned to leave for Chicago and Washington, returning to New York on October 28th.

Forgive me for troubling you

On this matter.

Yours very truly,

Henry F. Traub

Governor Benjamin Strong,
Federal Reserve Bank,
33 Liberty Street,
New York City, N.Y.

October 16, 1925

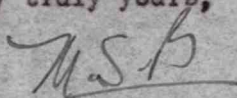
My dear Mr. Tiarks:

Governor Strong has asked me to acknowledge and thank you for your note of October 15.

As Dr. Schacht arrives on Monday, Governor Strong thinks best to defer an answer until he has had opportunity to lay before him the arrangements that have thus far been made. They rather completely engage Dr. Schacht's time, though I am sure that it would please him very much to dine with Baron Schroder if the brevity of his stay does not make it necessary for him to decline this, as he already has had to decline several other invitations for entertainment.

However, I shall be very glad to see that final word reaches you as soon as possible after Dr. Schacht's arrival.

Very truly yours,



Secretary to
Mr. Benj. Strong

Mr. Henry Tiarks,
27 Pine Street,
New York

