

STRONG PAPERS, Strong to Norman, 1916 - 1920

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14th March, 1916.

Dear Mr. Norman:

I am most grateful to you for your kind note of today and regret very much having missed your call.

While my present plan is to sail on the S/S "New York" on March 24th., it seems quite likely that I shall remain here until the first of April.

It would be a great pleasure to take dinner with you, and alone as suggested in your note and I will say Saturday evening, the 18th at eight o'clock if it suits your convenience, as I have made engagements for dinner for the other evenings of this week.

Grenfell tells me that he is hoping to get you for dinner at his house next week, on Monday evening, and I shall hope to have the pleasure of seeing you again.

Unless I hear from you further to the contrary, you may expect me at your house next Saturday evening.

With kindest regards, I am,

Sincerely yours,

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FEDERAL RESERVE BANK
OF NEW YORK

May 2, 1916.

My dear Norman:

~~This personal note is to anticipate official correspondence~~
~~letter in regard to one or two questions I am anxious to be disposed of in~~
~~connection with the confidential memorandum prepared while I was in~~

London, *but this is my last opportunity to write you in regard thereto.*

As
~~In regard to the difficulty about days of grace, while I was~~
~~in Washington a week ago I arranged to obtain;~~ *It has been to obtain*
first, the opinion of
counsel of the Federal Reserve Board as to the effect of the statute and
of the statute to bills subject established
its application to days of grace as now provided by law in England; and
second, in case his opinion *does not warrant our exceeding the 90 days limitation,*
~~is adverse to the point we need covered,~~ the
text of an amendment to the sections of the Federal Reserve Act which
relate to these transactions has been prepared and printed for submis-
sion to the committees of Congress, and I am told that there should be
little difficulty in having the Act amended. It is, however, *just as*
to count on favorable action until *actually* ~~it is~~ accomplished.

The other matter is the *basis for* ~~question of the~~ earmarking of gold and *for*
gold shipments *approximate* I would greatly value an expression of your views as to
how this should be dealt with. Should it be understood, for instance,
that gold will be earmarked at mint prices, *or when* ~~or in the case of gold ear-~~
marked by the Bank of England at mint price less the *allowance customarily made* ~~amount~~ to the Bank
of England, *for immediate payment* ~~so that the net price would be 77 s. 9 d.)~~ Your custom differs
from ours in that the Reserve banks do not intervene between the public
and the mint. *Comes* Such gold as we accumulate from importations comes to us in
the shape of Assay office *form* ~~checks against which we get~~ *or Sub Treasury checks for exchange for* United States govern-
ment and gold certificates, and recently in exchange for these certificates

~~we have been taking a considerable amount of newly minted coin which is ap-~~
~~proximately free of abrasion.~~ ^{It} ~~Therefore,~~ ^{withdraw the gold from the Treasury and} ~~we earmark~~ ^{And} ~~gold here,~~ ^{And} ~~should~~
^{if possible} ~~we do so~~ ^{And} ~~in bars when we can get them at the mint price,~~ ^{And} ~~or when in coin at~~ ^{the mint}

^{price tax at} ~~its bullion value? This same query would apply to earmarking gold by the~~
~~Bank of England.~~

So far I have had little time to study this matter, but I am ^{inclined} ~~dis-~~
^{think} ~~posed to feel~~ that the fair practice would be to deal with the account on
both sides ~~upon~~ ^{upon} the basis of the actual mint value of fine gold either
in bars or as found to be contained in the coin. ^{Then} ~~If~~ gold coin is shipped
in settlement of existing balances it would be ^{furnished} ~~provided~~ by the bank which
~~was paying the gold~~ ^{and taken} ~~at bullion value,~~ but if it should have been earmarked
^{by the debtor bank,} and subsequently re-credited to the account, it would, I suppose, be credited
back at its legal tender value, ^{debtor} ~~giving the bank which had earmarked the gold~~
~~and subsequently re-credited it~~ ^{which it had originally} the benefit of the recovery of any abrasion
which might have existed in the quantity of coin earmarked.

^{the importance of} Of course, ^{if the price is a fixed one.} these questions would be minimized and possibly entirely
eliminated whenever we are able to use gold in the form of fine bars. ^{On the}
other hand they would become more complicated if at any time it becomes nec-
essary to earmark or ship any coin other than sovereigns or eagles.

In a preliminary way I feel quite willing to recommend that the mat-
ter be dealt with rather informally and without too detailed a plan being es-
^{in advance} ~~tablished~~ so long as we find the means of carrying out the spirit of the memo-
^{Contemplates that all these transactions shall} ~~randum, which is that there should be no advantage or disadvantage to either~~
~~party of the transaction.~~ ^{wherefore temporary} In the long run what is an advantage to one insti-
^{during the next year, suitable and equalizing general results.} ~~tution one year may prove to its disadvantage the next, and the account equal-~~
~~izes itself,~~ but I should like to be sure that you and we understand thorough-
ly the question of gold values with which we will be dealing in case it became
necessary either to earmark or ship gold.

^{Would you write me}
^{Your views about this?}

I suppose you realize that the South is planting a large cotton crop this year and so far I have seen no reason to modify the views I expressed to you while in London in regard to the ^{possible course} ~~cost~~ of exchange this fall, except as ^{they} ~~those views~~ might be modified by the success you are realizing in assembling American securities. If you can confidentially give me any light on that subject I will appreciate it.

Since returning I have discussed quite in confidence with some of my associates the general character of the plan we ^{formulated} ~~discussed~~ while in London and have been over the memorandum with them. Their attitude justifies ^{my} ~~me in~~ suggesting that we should ^{endeavor to} ~~receive in~~ complete the details ^{of the plan} as to ~~gold~~ ^{shipping or earmarking of} shipments and be prepared in case of need this fall to start operations on rather short notice, although it is not possible at this time to advise you officially that we can do anything before the conclusion of the war.

With kindest regards to yourself and your associates, and again many thanks for your courtesy to me while I was in London, I am,

Faithfully yours,

Montagu C. Norman, Esq.,
C/o The Bank of England,
London, England.

BS Jr/RAH

FEDERAL RESERVE BANK
OF NEW YORK

*

May 24, 1916.

Private and Confidential

My dear Mr. Norman:

I shall be greatly obliged if you will give me in confidence your opinion of the Anglo-South American Bank, Ltd., frankly stating the standing of the institution and its bills in your market.

Thanking you in anticipation, and with kind regards, I remain,

Yours very truly,

Ree. Strong Jr.

Governor.

Montagu C. Norman, Esq., D. S. O.,
c/o Bank of England,
Threadneedle Street,
London, England.

HVC/LES.

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PERSONAL.

June 1, 1916.

My dear Norman:

The last few weeks have been devoted to a certain extent to consideration of various amendments to the Federal Reserve Act designed to strengthen the law in certain respects and eliminate certain inconsistencies which have developed since we started actual operations. In a recent letter to Lord Cunliffe, I mentioned one of these amendments which will cure the difficulty in regard to days of grace. Since writing him, a further amendment has been agreed upon but I am not sure how it will be received by the Committees of Congress. It provides that whenever a Federal Reserve Bank appoints a correspondent abroad, it will be authorized not only to open an account with that correspondent, but receive a similar account from its correspondent. We already recognize the curious inconsistency of a statute which would seem to require us to do our business abroad on one side of the account only and this amendment is designed to cure that defect.

Estimates of cotton acreage are just being received. They indicate a 9 % increase for the whole country over the acreage planted last year, the principal increase being in the Southwest, which means, of course, Texas, indicating that quite a large acreage has been planted there. It was, as you know,

somewhat for that reason that I was prompted to suggest the importance of considering the exchange situation which might develop next Fall. I am judging from newspaper accounts, the procedure now undertaken by the British Government to mobilize American securities is calculated to anticipate this possibility and we are just as much interested as any of our customers abroad in maintaining a stable exchange situation.

Jim Brown has been away much of the time since my return and I have only seen him for a few minutes once or twice, not have I had opportunity to tell him of the many courtesies which you extended to me while I was in London. He is dining with me to-night however, and I expect to give a very good account of you.

Surplus cash reserves of the New York Clearing House Banks and trust companies last Saturday were \$65,000,000, this contrasting with a maximum of about \$225,000,000, as I recall, last September. It is the most striking change in financial conditions ever witnessed in this country. Bank deposits of the Clearing House banks have increased about \$1,600,000,000 since November 1914 and bank loans nearly \$1,500,000,000. The expansion of the New York bank position which represents an enlargement on both sides of the account of about 75 %, is very nearly the equivalent of a normal 10 years growth of the banking resources in this city, and it has all taken place in less than 22 months. Money seems to continue easy, however, and of course business is humming all over the country.

I would be mighty glad if you would drop me a personal line now and then telling me how you are and how things are going.

With best regards,

Sincerely yours,

Montague C. Norman, Esq.,
Care Bank of England,
London, England.

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PRIVATE AND CONFIDENTIAL.

June 23rd, 1916.

My dear Mr. Norman:

Your note of the 10th inst. is received and I am grateful to you for your reply to my letter inquiring about one of your English banks. It gives me just the information needed and when similar matters arise with you, I hope you will give me opportunity to reciprocate.

Will you be good enough to give my kindest regards to your associates and thank the Deputy Governor for his greeting.

Please accept my warmest thanks.

Faithfully yours,

Montagu C. Norman, Esq.,
Bank of England,
London, England.

BS Jr/VCM

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June 28th, 1916.

My dear Norman:

I am sorry to be obliged to advise you that my health has been playing me some tricks lately and I have been ordered away for quite a long rest. I shall probably be in Colorado all Summer but this will not necessarily interfere with continuing the development of the arrangements that we discussed in London.

So that my banishment may not be an unnecessary hardship, I have going to have a little office establishment with me and do a moderate amount of work which will enable me to keep in touch with the office, as well as my Washington associates, and I hope with you.

During my absence, correspondence in regard to this matter may be handled by Mr. R. H. Treman, Deputy Governor of the bank or by Mr. Pierre Jay, Federal Reserve Agent, but you will know that I am in touch with the matter and as keenly interested as ever.

With kindest regards to your associates and your good self, I beg to remain,

Faithfully yours,

Governor.

Montague C. Norman, Esq.,
Bank of England,
London, England.

Estes Park, Colo., July 24, 1916.

Personal.

Mr. ~~Montagu Norman,~~
% The Bank of England,
London, England.

My dear Norman:

I wrote you a line before leaving New York, telling you of my unfortunate illness, and since then your letter of June 21st has followed me to Colorado, where I am at present in exile.

First, replying to your letter, the expansion in business to which you refer has indeed been phenomenal. So long as you and your allies continue to pump gold into us, we may expect under that stimulus to see things pretty active here and a continued banking expansion. The Deputy Governor's letter reached me just as I was leaving New York and I am expecting to answer it in a day or two. My doctor has only allowed me an hour a day for correspondence and I have necessarily been obliged to procrastinate with a great many things. We have suffered a disappointment in Washington at the hands of our friends - so called. Some of the Republican Senators after the House had passed the bill containing the amendments required, decided to be nasty and refused to consider the House bill at this session, so it will go over until December. The amendments were not necessary to the carrying out of our plans, but would have facilitated them. There is no doubt as to their eventual adoption, and only a tremendous program of legislation, which had right of way over these little matters, enabled the Republicans to side-track our bill.

You seem surprised that the Reserve Banks are the darlings of Washington. The explanation is simple: They are the parents over there in Washington of a new baby, or twelve new babies, and they are naturally proud of them.

I am watching with amazement and interest the tremendous movement of gold and evidences of accumulation of American securities. Our foreign trade figures for the year ending June 30th, just published, amply confirm the necessity for the employment of all the measures that are now being taken to provide exchange. War developments, stimulating the market for your local securities, combined with patriotic response to a heavy tax on the income derived from American securities, will help a great deal in financing matters this fall.

Our politics to which you refer are still a mystery. None of the guns have yet been fired in the fall campaign -- not even the little ones. It looks to me now as though the campaign would be conducted in a dignified way and that it would be a very close election.

Referring to your comments in regard to the unfunded debt. It amazes me every time I see the figures. The last statement appearing here indicated that it exceeded seven hundred million sterling. At present rates of interest, I should think that prudence, as well as economy, would justify a refunding operation as very shortly the interest paid on these unfunded obligations will be at as high, if not higher, rate than what would have to be paid to fund the whole debt, including the old debt. One cannot afford to be captious, however, in criticizing the conduct of the largest financial operation ever conducted in the world's history, when success seems to have been the record to date.

Just a word about myself and plans for the future. The chances are that I will be away a year, which does not mean however that I am out of touch with the bank, or dropping the work. One of our directors, Mr. Robert H. Treman, is taking my desk as Deputy Governor of the bank and I am supposed to be on leave of absence for a year. My Secretary joins me here in a few weeks and I expect to have a little office and keep in touch with things by correspondence, possibly make an occasional trip east. They seem to think enough of me to wait a year and they say even longer for complete restoration of health, and the doctors all tell me that a year's stay out here will put me in perfect condition. The matters we dealt with in London will be handled just as though I were there, although possibly with a little delay that otherwise would not occur. We have a somewhat complicated and cumbersome machine to deal with in a matter of this sort and it takes time to get things started. If my health permits, it is not impossible that I would take six or eight weeks of my year's exile in the shape of a trip to London and Paris, but that could hardly be arranged under six months at the earliest.

I hope you write me now and then, at the above address, which for the present is permanent. Also please give my warmest regards to your associates and the same to your good self.

Faithfully yours,

Estes Park, Colo., August 8, 1916.

PERSONAL.

Mr. Montagu Norman,
% Bank of England,
London, England.

My dear Norman:

Your friendly and encouraging letter of July 24th just reaches me and as my sole pleasure and dissipation just now is correspondence, it had a very warm welcome. In my former letter I said nothing about the nature of my difficulties as I recall, but they remind me somewhat of those Japanese puzzles where you pull the peg out and the whole thing drops apart; that is just about what happened to me and, unfortunately, the doctors found that my lungs had been affected, hence my long stay in Colorado. I can tell you that for some time I was sojourning in the Valley of Despair, but improvement out here, as well as the consolation of having a little office where I can do some work, has helped a lot. I will be back again better than ever and probably with more sense in my head about taking care of myself. You and Grenfell might well both of you take a lesson from my book, although I realize that you are making sacrifices with an inspiration which does not effect us here.

The change in your bank rate was, of course, based upon sound reasoning, but I cannot help feeling that the temporary flurry in our market may have unduly influenced feelings in London as it was bound to be of short duration. Our situation in that respect bears somewhat on your remarks about where the gold is going. Practically the whole year's Income Tax payments are made to the government around June 30th, and this year it meant the withdrawal of over \$100,000,000 from the market, the money being impounded in the Reserve Banks and in the Treasury. For this brief period government receipts vastly exceed government expenditures and then the tide turns the other way, so that from now on the present current excess of government expenditures will turn this money back into bank reserves and we will likely see the continuance of easy money conditions until sometime in September. As to what becomes of the gold that has been arriving in such volume, the explanation is rather complicated and I am sorry not to have the data here with which to work out something in figures. In general, it is accounted for by the following items:

1st. The Income Tax payments to the government above mentioned.

2nd. The increased demand for currency, due to business activity. A large part of our circulating medium is still furnished as required by the conversion of these gold bullion receipts into \$10 and \$20 gold certificates, which are shipped throughout the country for pay-roll and other hand to hand payments. There has been a considerable movement of currency to the west. *behind*

3d. The Federal Reserve Banks some months ago were accumulating gold against issues of notes quite actively. The System now holds about \$170,000,000 by the note issue in addition to its banking reserves, but this process was discontinued some months ago, pending the passage of certain amendments affecting the operation.

4th. I have suspected that some of the gold received from abroad has not yet found its way into bank reserves and is held in safe custody pending greater necessity arising for its deposit; you may know more about this than I do.

5th. The Treasury in Washington for some months past has pursued the policy of cleaning up the redemption of Federal Reserve notes and National Bank notes which come into its possession in the ordinary course of business. At one time, as I recall, the Treasury Department held \$27,000,000 of Federal Reserve notes, as well as a considerable amount of National Bank notes. The redemption of this form of currency, which does not count as reserves for our banks, results in the transfer of gold and other reserve money to the Treasury and corresponding reduction by the banks. *m*

6th. Commencing last May, some twenty or thirty million dollars of additional reserve transfers were made by National Banks to Federal Reserve banks, thereby also reducing the published reserve figures.

7th. The Reserve Banks make it their policy to carry as large a proportion of their reserves in gold as possible. The enormous expansion in deposits of our National Banks has increased the reserve requirements and that in turn has resulted in larger deposits with the Reserve Banks, which so far as possible are carried in gold.

8th. There have been considerable shipments of gold to Cuba which of course is now a creditor nation on account of the enormous exports of sugar at high prices and very considerable exports of Cuban ores.

I am sorry not to be able to make a better exposition of our reserve position by quoting figures, but I think the above influences are the important ones which have caused a failure of the reflection of gold imports in bank reserves. *///*

What you say about our politics and the attitude of our investors is only too true. Politics and politicians, like the poor, are always with us. The difficulties that are being encountered in arranging credits here I believe are almost entirely due to a combination of a hazy notion that the world may go broke as a result of the war and a general wide spread ignorance as to value of foreign government obligations. It must not be forgotten that our people have always been able to employ their money at home profitably and they have not yet been educated to the idea of conducting a long distance business. Certainly the success of the French note issue is encouraging as to possibilities of getting money on terms and security that are understood here. I suppose you realize that the largest store of gold in the country is out here in Colorado, or at least that has been the understanding ever since the gold stored in San Francisco was transferred to Denver, but unfortunately it is not available for investment in exchequer bonds.

About the disparity in rates that you mention, I confess it must be a puzzle to anyone not on the spot to study our money market.

The rate of discount for short commercial paper which is almost uniform now through the Federal Reserve System is 4%, the longer dates 60 to 90 days averaging about 4½%. This rate applies largely to single name notes, such as our merchants give to their banks and such as are handled by commercial paper brokers, and are only taken to Reserve Banks by the member banks when they run short of reserves and need accommodation. Needless to say this accommodation is only availed of by the smaller banks. Very few of the large banks ever rediscounting their paper any more than the London joint stock banks rediscount their bills. This might be described as an emergency rate. All twelve banks today only hold a little over twenty millions of this class of paper and this is principally in the south and west. Were we to make a rate as low as the rate for our outside transactions, it would encourage expansion of a dangerous character. As it is now, many country banks pay as much as 4% or 4½% for deposits and realize from 6% to 8%, or more, on their local loans. Such banks in the west and south should not be encouraged to expand by borrowing money from Reserve Banks, therefore the member bank rate is maintained at a fairly high level.

On the contrary, the open market rate for bills, which now averages about 2½%, is kept low for various reasons, the principal one, of course, being a very high quality of this paper, which general bears three or four obligations, any one of which is absolutely good. Another

being our desire to cultivate the liquid quality of this paper, upon which any member bank can realize in any instant at the Reserve Bank at a very low rate. A third idea being to establish a favorable relation between rates for bankers' acceptances and rates for stock exchange called loans and another reason, which I transmit with a blush, is in order to give our bankers an opportunity to establish this business of creating liquid bills in competition with our good friend abroad.

Dealing in bills is confined to the larger money centers where money is cheap. The Reserve Banks hold about \$85,000,000 of bills of this character and the rest are very largely held in New York, Boston, Philadelphia and Chicago.

From the above you may infer that the rate for re-discount of commercial paper is supposed to bear some relationship to the rate for collateral time loans, which today are about 4% for 6 months in New York as against our 4% 30 and 60 day rate for commercial paper bearing bank endorsement. The open market rate for bills is supposed to bear some relation to the call money rate which today is about 2½% in New York.

The natural development of our rates will be to have bankers acceptances of the first quality command about the same rates as call money and the regular discount rate for members averaged around the rate for time loans. We are so young at this business, however, that the above remarks are subject to infinite variation as different situations arise.

I omitted to say when referring to the gold situation that if these amendments pass in Washington, it will enable the Reserve Banks to accumulate gold much more effectively than at present issuing their own notes therefor, and this we regard as one of the safety factors for future use when the exchanges may turn. Your surmise in that respect is correct.

The war news to which you refer seems from this side to justify considerable optimism, general comment here being that for the first time the whole German situation is defensive. Much surprise has been expressed at the various public utterances of prominent Germans from the Kaiser down, which are interpreted here as being a bit hysterical.

I have had for some days past a letter written to the Deputy Governor in regard to our discussions, which I am unable to send until final word comes from Washington regarding the proposed amendments to the Federal Reserve Act.

Every day seems to bring some new developments. The bill has finally passed the Senate, after being amended there in certain parts not relating to our matters, so now it must again pass the House and after passage there, if not further amended and if not sent to a conference committee of the two houses, I have no doubt it will be signed by the President.

In the meantime I have worked out the plan by which the other Reserve Banks might participate with us in transactions, which must also be held in suspense, awaiting the outcome at Washington.

I think I am justified in saying that almost all of our people are favorably inclined to concluding these matters when the details are worked out, but I must also repeat that word of precaution, that one never can tell what will develop to bring our plans to naught.

You will, I am sure, pardon this very long letter. It is the next best thing to having a chat and when one is marooned up here in the mountains, the temptation to let off steam is irresistible. Won't you give my warmest regards and respects to the Governor and the Deputy Governor? I look back upon my visits with you in London with both pleasure and pride, and anticipate repeating them just as soon as I get this machine of mine patched up. I hope you keep well and are not working too hard.

With best wishes,

Yours very sincerely.

P.S. Hartley Withers has just sent me his new book - "International Fiancée", of which an American edition is about to be published. It is excellent, written at just the level to meet the rather unformed ideas on that subject in this country, and I hope it has a very wide circulation.

4100 Montview Boulevard.

Denver, Colorado,

October 18th, 1916.

My dear Norman:

It is distinctly encouraging to learn by yours of September 22nd that you have had a vacation. I hope it was a real one and indeed you must never permit my letters to prove a burden in the answering. Time with me just now is a drug on the market and I am keen to keep in touch with friends, even the busy ones. If by chance you do come across any of the Elixir of Life, do not waste it upon me but send it to those boys in Flanders.

I am sorry my letter of August 8th was not altogether clear on the subject of the gold. The explanation, plainly stated is that some of the gold which you have been shipping over here may have been locked up in safe deposit vaults and held available for deposit so as to build up New York reserves when they become depleted and at more advantageous times than the actual day of receipt on this side. This is very easily done by our system as the gold can be immediately sold to the Treasury, gold certificates taken out in exchange and the certificates locked up in the vaults of a safe deposit company or more likely private bank and the gold would then disappear entirely from the figures of bank reserves until it was actually deposited in bank.

To Montagu Norman, Esq.

Oct. 18, 1916.

The 5th explanation is rather more important than you may imagine: Our Government in collecting its customs dues, internal revenue, postage collections and other income, receives payment to a very large extent in national bank notes, Federal reserve notes and other forms of currency than gold. In consequence, the Treasury some months ago had a great accumulation of national bank notes and Federal reserve notes which of course it had the right to redeem, just as any private holder has the right to redeem these notes in gold or lawful money. The Treasury cleaned up this miscellaneous assortment of money in its vaults by presenting to the Federal reserve banks for redemption in gold all the accumulated Federal reserve notes and this transferred a large amount of gold from the vaults of the reserve banks where it appeared in the statement of the bank reserves to the vaults of the Treasury where it disappeared from the bank reserves.

Our Federal Reserve Act is defective in the provisions for issues of Federal reserve notes. They do not count as reserves for national banks nor for state banks organized under the laws of the State of New York and one or two other states of importance in a banking sense.

We have now reached the conclusion that Federal reserve notes should be allowed to count as reserve money for all classes of banks but that they should be fortified by a larger reserve in gold than can be accumulated by the reserve banks unless the reserve banks are allowed to issue the notes against deposits of gold. We failed in an effort to get the law amended to satisfy our taste at the last session of Congress but are expecting to make another

To Montagu Norman, Esq.

Oct. 18, 1916.

effort in December. The total gold in circulation in this country to-day amounts to over \$2,500,000,000. Of this a very large sum is carried around in the pockets of the people just as your English bank notes and currency notes are. I think it desirable to build up a large holding of gold by note issues against the time when difficulties may arise caused no doubt by adverse exchanges and shipments to Europe. The Chronicle has attacked our policy and advanced a lot of absurd arguments to which I am glad to say few people are paying any attention.

We must have a thorough overhauling of our whole currency system, if this country is to get rid of \$346,000,000 of United States notes which are simply fiat money, get rid of a lot of silver certificates which are now held in bank reserves of which the total issue is \$484,000,000 and hasten the retirement of over \$700,000,000 of national bank notes which are secured by United States bonds. The total of these three classes of currency is between fifteen and sixteen hundred million dollars. We want to effect its retirement by issues of Federal reserve notes in place of some part of these issues and at the same strengthen the note issue by accumulations of gold as above described.

I am writing some stuff for the newspapers which I will send to you when completed and that may throw some light on a very puzzling and complicated situation.

A letter just received from the Deputy Governor replying to my letter of August 3rd will be answered in a day or two. I realize that in the event of war or panic sudden demands for earmarking gold might produce a little neuralgia. That should be dealt

To Montagu Norman, Esq.

Oct. 18, 1916.

with by the debtor institutions controlling the amount of credits accumulated by the creditor institutions so that at no time might the account prove a menace to the gold holdings of either.

Your Governor voiced a sentiment during our discussion which it seemed to me covered this situation exactly. As I recall it he expressed the view that we should be able to go ahead and do business with each other without attempting to define every last item in exact language and that our transactions be governed by business prudence and mutual confidence.

You are of course quite right that the exchanges would, following investments in bills, permit of liquidation by mail or cable remittance in ordinary times. We would buy bills in London when the discount on sterling was at or below the point where we could import gold without loss; we would liquidate bills and sell exchange when sterling had advanced to or above the point at which you could withdraw gold from New York without loss. The danger however is really war time danger. If we should accumulate a large volume of bills say at present rates and then due to the exigencies of war, sterling should suffer a sudden decline in New York, we might be overtaken with panic and call for settlements by earmarking gold but it is well to bear in mind that the primary object of the account is for us to buy exchange and invest in bills when sterling is at a discount, the greater the discount the greater the inducement to invest and the greater need for protection of exchanges. Under those conditions exchange of views by cable would be imperative. You would

To Montagu Norman, Esq.

Oct. 18, 1916.

want to know our intentions and to what extent you could rely upon a sustainable policy by the reserve banks. As you say in practice it will probably be a question of the amount which should always be controlled and could be by use of discretion by the debtor institution.

Now looking at the other side of the picture: Some of us in this country are convinced that the exchanges are not always going to be in our favor. When they turn we may have a long and arduous struggle with the same problems which have been so acute with you. Then we will be scrambling for gold and if you are operating in dollars we will be wondering to what extent you will call upon us to earmark gold in New York. Your purchases of dollars will be when dollars are at a discount in London and when the rate on bills in New York is doubtless advancing and approaching or above the rates in London.

I am hoping and planning just as soon as the climate completes its work with me out here to make another trip to London and I am sure that all of these details can be worked out to the satisfaction of everybody.

You doubtless observed that Congress amended the Act and the President signed the amendments so as to cover the two difficulties we encountered. We can buy bills abroad having 90 days to run exclusive of days of grace. We can also receive deposit accounts from those institutions in foreign countries which we appoint as our correspondents in those countries. This makes it very much simpler to do business when the time comes.

To Montagu Norman, Esq.

Oct. 18, 1916.

Delay in final dealing with this matter arises from the necessity for submitting questions of this kind to a number of different authorities. I am hoping to make considerable and possibly final progress in the course of the next few weeks. My absence has delayed things a good deal.

Your notable success in floating the last few loans in New York I think can be attributed as much to the general education of our investing public on the subject of the value of foreign government securities at present rates as to the effect of any military developments. Our people are really beginning to realize that if we want to continue our export trade at anything like its present volume, we must create the means by expanding loans to foreign countries and the record seems to be that each new loan meets with greater success than its predecessor and establishes a better market record. There is an unlimited capacity here for absorption of securities but until recently very little knowledge of the credit of foreign governments and generally of international financial transactions.

Your Chancellor is a bold man. The success of his present operations depends upon the state of mind of the people and the policy as a whole of short borrowings seems possible only to the successful belligerent. Since your letter was written, the successful flotation of the French loan seems to have cleared the deck pretty well for your own Treasury.

You will doubtless see Jack Morgan and Harry Davison and if they are still in London when this letter reaches you won't you

To Montagu Norman, Esq.

Oct. 18, 1916.

give them my warmest regards? This letter carries the same to
your associates and to your good self.

Sincerely yours,

Montagu Norman, Esq.,
Care of The Bank of England,
London, England.

BS/VCM

137

Denver, Colorado,
December 23, 1916.

My dear Mr. Norman:

The enclosed copy of letter of introduction explains itself.

Mr. Johnson is a man of considerable means and really one of the leading business men of Denver and in addition a very charming fellow. He is purposing to drive an ambulance for the American Hospital in Paris and his sister is expecting to join one of the relief institutions in Paris.

They are sailing the middle of January and should reach London about the 25th or 26th of that month. I am taking the liberty of writing, not to ask you to do something if there is the slightest difficulty or inconvenience in arranging it, but merely to intimate, with the greatest diffidence, that if there is any way by which the inconveniences of landing from the steamer and proceeding from London to Paris can be minimized in their behalf, I would greatly appreciate it. You may be sure that I would not write you this letter, or give them introductions to friends abroad, were I not able to vouch for them without reservation.

Mr. Johnson is a friend of many of those connected with the American Red Cross and the American Ambulance and is going well fortified with letters of introduction, etc. As soon as I learn definitely the steamer and date of departure, I will advise you. Please, however, do nothing about their landing or traveling arrangements if it involves any trouble, any unusual procedure, or, in fact, if my suggestion is in any way out of order.

I hope to write you and more formally to Lord Cunliffe in the near future in regard to our banking arrangements. To the best of my

To - Mr. Norman.

December 22, 1916.

belief, every obstacle in the way of concluding the matter has now been removed, particularly those which necessitated amending the Federal Reserve Act, which after some delay and explanations has been finally accomplished.

With warmest regards, believe me,

Very truly yours,

Montagu C. Norman,
Thorpe Lodge,
Campden Hill, W.,
London, Eng.

BS/CC

131
+ 97

Denver, Colorado,
December 23, 1916.

My dear Mr. Norman:

This letter will be presented to you by my friend, Mr. C. A. Johnson, concerning whom I have written you under separate cover.

Mr. Johnson realizes how very busy you are, but I nevertheless have assured him that he should not pass through London without at least shaking hands with you and conveying to you personally many good wishes that I send for the New Year.

With warmest regards, I am,

Sincerely yours,

Montagu Norman, Esq.,

~~The Corporation of the Bank of England~~, Bank of England,
London, England.

BS/CC

137

Denver, Colorado,
January 12, 1917.

My dear Norman:

This most tardy thanks for your cable with the season's greetings is none the less hearty, although delayed. I was absent over the holidays and on returning found a great accumulation of matters which have kept me busier than my medical advisor seems to think I should be, but the rush is now over and I am writing to tell you how greatly I appreciate your thinking of me.

In a very short time I hope to write you about recent developments, but will not do so now until official letters go forward.

With warmest regards to you and your associates and best wishes for the New Year, I am,

Faithfully yours,

Montagu C. Norman, Esq.,
Bank of England,
London, England.

BS/CC

Denver, Colorado,
January 19, 1917.

CONFIDENTIAL.

My dear Norman:

You and your associates must have been tempted when the announcement of the Federal Reserve Board in regard to our negotiations was unexpectedly made on December 26th to put me in that category of undependable people with whom it may be dangerous to conduct confidential negotiations. The announcement came as a complete surprise to me and was made without my knowledge or consent, but I want to say in justice to my associates in Washington that they thought they were justified in making the very brief statement they did, and when one is two thousand miles away, it is not possible to keep in touch as one would like to and my absence may in a measure account for what was done. I think I know you well enough to write you this quite frankly without risking the appearance of criticising my colleagues, who I am sure were most desirous of doing nothing which would prejudice me or embarrass our negotiations. After a good deal of study, I have prepared a letter which will go forward in a day or two through the Bank of New York, somewhat elaborating on the memorandum prepared while I was in London, and I hope that this, with such changes and additions as you and your associates feel required to make in it, will form the basis of an understanding which in course of time will develop the closest possible relationship between your great institution and our new one.

To - Mr. Norman.

January 19, 1917.

It has seemed important to me for various reasons that even though extensive transactions were not undertaken at this time, we should nevertheless perfect our arrangements and put the plan in operation so that the relationship will be fait accompli. I attach great importance to the value of this relationship in dealing with post war developments and for the extension of our operations under conditions which may then develop, it seems desirable that we should have the benefit of a period of experience in actual operation prior to the development of conditions resulting from a cessation of hostilities.

It now looks as though I will be able to get away for a short visit to England possibly next June, at which time we should be able to adjust any minor difficulties which might develop pending my arrival.

Some progress has already been made by correspondence with Monsieur Pallain looking toward the establishment of relations with the Bank of France, in accordance with the discussions we had in London, and, even though matters may not be concluded at once, I am hopeful that the start has been made which will enable this matter also to be concluded when I go abroad. My doctor, who is a very conservative and experienced practitioner, has told me within the last few days that he now feels quite confident that by the spring or early summer I will be as good as new, stronger and more vigorous than I have been for many years and he thinks a trip such as I have in mind will be just what is needed to put on the finishing touches.

To - Mr. Norman.

January 19, 1917.

I think of you and your associates a great deal, wonder how you are getting along, whether you are overworking and whether the strain of these anxious times may not be leading you to put too great a tax upon your strength. You must understand how irksome it is to be an exile here when so many important matters are doing.

With my warmest regards to you and to Lord Cunliffe and Mr. Cokayne, I beg to remain,

Faithfully yours,

Montagu C. Norman, Esq.,
Care, Bank of England,
London, England.

BS/CC

Denver, Colorado,
March 22, 1917.

My dear Norman:

Your favor of March 5th and its various enclosures just reaches me and I am grateful for your thoughtfulness in giving me these separate copies, which will save quite a bit of time.

I shall not write you about the various changes until I have communicated with my associates in New York, but meantime want to say a word about that wretched article reprinted from the journal of the American Bankers Association. That journal, which is what its name implies - the organ of the association of American bankers, is edited and published by men of the best possible intentions, but in matters of this kind of the most profound ignorance.

I do hope that you and other sensible and friendly people in London do not attach too much importance to the vain-glorious boasting of the American press about these financial developments.

While I blame the press of this country very much for the silly stuff they publish, I must say I think your own newspapers fail to show intelligent discrimination in what they select for reproduction sometimes, and when one realizes that an article such as the one you sent me is doubtless written by some young fellow getting \$2500 or \$3000 a year, could never have been across the ocean and never had opportunity to inform himself, it does seem unfortunate that he should be the one to advertise our ignorance and stupidity about some things.

If, as I still hope, it becomes possible for me to go to London this summer, I would be glad of your advice as to the least dangerous

To * Mr. Norman.

March 22, 1917.

Method of travel. Maybe I will have to enlist and go over on one of your Canadian troop ships.

Please pardon the fulminations about this article. It is a subject that always gets under my skin, having been the victim of that sort of thing for the last two and a half years.

Warmest regards to you and your associates.

Very sincerely yours,

Montagu Norman,
Care, Bank of England,
London, Eng.

BS/CC

Denver, Colorado,
March 27, 1917.

PERSONAL.

My dear Norman:

Your letter of February 23d is received and has been read with much satisfaction. Mr. Johnson has written me of the courtesy shown him on his arrival and I am sure he and his sister very much appreciated it. They wrote that they were going at once to Paris to take up their work and I have not since heard from them.

What you say about the announcement last Christmas relieves my mind very much. Matters have developed so rapidly here since your letter was written that I feel justified now in writing you a bit more frankly than has up to now been possible. Nothing has caused me greater concern and anxiety than the appearance at times of misunderstandings between your country and ours. Those of us who have opportunity to promote better relations and better understandings must not fail to take advantage of it and what little I could do towards that accomplishment has been one of the most agreeable occurrences of the past two years. It now looks as though we would shortly be ranged along side of you and your allies, I hope both in financial, economic and military measures, to bring this war to a decisive and successful conclusion. My oldest boy is about to be mustered into the service and you may know that if there were anything I could do in any department of the work, I would be at it at once.

Now about our proposals for relations between the Bank of England and the Federal Reserve Bank. I have studied the Governor's letter and the revised memorandum with care, as have my associates, and believe that the

To - Mr. Norman.

March 27, 1917.

only really important point is the understanding that our transactions should be conducted upon a gold basis in any eventuality. This means, of course, that the Bank of England will from time to time limit its engagement to the Federal Reserve Bank to such amount as it considers prudent, in case the transactions should appear to it to be larger than justified for the Bank of England to undertake to settle in gold. With the exception of one or two unimportant phrases, I think we are in substantial agreement on all points, and I sincerely hope to see the matter concluded very shortly.

You have, undoubtedly, been fully advised of the change of attitude of the Federal Reserve Board, first evidenced by the announcement of ten days ago and later by Mr. Harding's speech before the Quill Club of New York, advocating loans by our Government. Let me say as to the last proposal, it has been received with enthusiasm even right here in Denver, the only comments I have heard being to the effect that it is a very small contribution in aid of a cause for which your people and your allies are making sacrifices beyond estimate.

My doctor tells me that I can return to New York in June. Plans for the summer are still indefinite but if there is occasion to do so, I shall certainly make an effort to go to England and then to France, so as to make our arrangements with you and the Bank of France effective and practical.

Will you kindly convey my regards to the Governor and Deputy Governor and the same to you. Please don't take valuable time to reply to my letters. I am a loafer and you are more than busy.

Faithfully yours,

Montagu Norman, Esq.,
Bank of England,
London.

BS/CC

Denver, Colorado,
April 2, 1917.

Dear Norman:

The cablegram of March 28th which I have just received from Lord Cunliffe, through the office, indicates the possibility of an early conclusion of our long discussed alliance. I hope it outlives both of us and that it will promptly demonstrate its usefulness.

It would be of considerable assistance to me if I could have, informally, an expression of your views as to our arrangements in Paris. You will recall that the few words in our original memorandum relating to a similar arrangement between the Bank of France and the Federal Reserve Bank of New York really occupied more time in our discussion than all the rest of the memorandum. My correspondence with Governor Pallain has been equally protracted. We have recently, however, been able to make notable progress and, with slight variations necessary to adapt the arrangements to French conditions, I have some hope of concluding matters on similar lines before very long. There are, however, two points concerning which I would like to have your views, which I hope you will send me quite personally and informally, but as fully as you may.

I have little information as to the status of the English-French exchanges and of the steps which are being taken to keep rates steady and under control. It might be of advantage for us to receive in advance any suggestions which you believe will be of value to us, as well as to yourselves, in connection with the management of both the English and French accounts, in case we are successful in our negotiations both in London and in Paris. Realizing how difficult it is to deal with these matters by cor-

To - Mr Norman.

April 2, 1917.

respondence, leads me to the second point: Might it not be a good plan for me to run over to London just as soon as possible after returning to New York? I am planning to leave here about the first of June and if the trip is possible, I certainly should be able to sail by August 1st, or even earlier. I shall need your advice, as suggested in my last letter, as to the best means of crossing.

Congress meets today and I think there is every reason to believe that within forty-eight hours we will have formally recognized a state of war with Germany. You certainly realize with what satisfaction I shall receive this news, as I confidently expect that once this first step is taken, our people will soon realize the obligation and necessity for lending every possible assistance, - military, financial and economic - toward bringing the war to a decisive and successful conclusion.

I am taking the liberty of setting the Bankers magazine straight on some recent developments, but, of course, doing it without having my name appear, and I hope what they publish proves to be more accurate this time.

With kindest regards to you and your associates,

Faithfully yours,

Montagu Norman, Esq.,
Care Bank of England,
London, England.

BS/CC

P.S. Since dictating the above the President's message has made our position clear to the world. I could not refrain from cabling Lord Cunliffe as per enclosed copy. How great a satisfaction this is to me I am sure you will realize and, frankly, it is a tremendous load off my mind.

Enc.

Denver, Colorado,
April 19, 1917.

My dear Norman:

I have wanted for some time past to write you some expression of my satisfaction and happiness in feeling that the restraints of neutrality need no longer apply to our correspondence and friendship. It is a great disappointment to me that my illness prevents some more active part in war activities than seems possible. I am returning to New York about June 1st and may be able then to do a little service. Meantime, my oldest boy, who has been a Sophomore at Princeton, has been mustered into the Federal army and is just now engaged with about twenty of his companions in guarding some three hundred interned sailors, taken from the merchant liners in New York. He has had about a year's military training and I have no doubt will be among the first to cross the ocean with any expeditionary force. It certainly brings the war closely home to me, but then it is no different from the situation with all my friends, whose sons without exception are engaged in some form of preparation for military or naval service.

May

This is the situation towards which I was confidently looking forward when I was in London last year and I am happy now to think that my best hopes are being realized and that we are with you heart and soul and with every resource that the country can provide.

Copy

I am daily awaiting word of Lord Cunliffe's arrival and hope to make a flying trip East to see him before returning permanently. Let us hope that the alliance between England and the United States in the war

omit to end

To - Mr. Norman.

April 19, 1917.

will be accompanied by a very close alliance between your great institution and mine, which will be based not upon selfish interests, but rather upon mutual interests and mutual confidence.

With every good wish and with every assurance that the war will now be successfully and decisively concluded before very long, I am,

Sincerely yours,

Montagu C. Norman, Esq.,
Care, Bank of England,
London.

BS/CC

*

May 8, 1917.

Dear Norman:

This letter will be presented to you by my oldest son, Benj. Strong, Jr., who is proceeding to Paris to take up his duties in the American Ambulance service with the French Army. He has been a student of Princeton and is going with a number of his friends from there.

Ben has been in the National Guard for about a year and was mustered into the United States Army. Very much to his regret, he has been mustered out of the service because his eyes failed to meet the required standard, as he is obliged to wear glasses even when on duty.

Naturally, I do not want him to pass through London without taking the opportunity, if possible, of meeting you.

I have told him not to hesitate to call upon you at any time for advice.

Thanking you in advance for anything that you may be able to do for him, I am,

Very sincerely yours,

Montagu C. Norman, Esq.,
Bank of England,
London, England.

EQUITABLE BUILDING
NEW YORK

R. 26th

May 10, 1917.

*

Dear Norman:

I have taken the liberty of giving a note of introduction, as per the enclosed copy, to my oldest son. He may not have an opportunity to present it but I am sure you will be glad to see him if he does so.

With warmest regards, believe me

Sincerely yours,

Re: Wrong

Montague C. Norman, Esq.,
Bank of England,
London, England.

Enc.

Denver, Colorado,
May 16, 1917.

My dear Norman:

Your letter of April 26th was in Denver on my return this morning from a two weeks' trip to New York, where I went particularly to meet Lord Cunliffe and have a chat with him about various matters of interest to us both.

I have before me while I am dictating this a photograph of the first advance made by our Government, which is a transfer check for \$200,000,000, drawn on the Federal Reserve Bank of New York in favor of Messrs. J. P. Morgan & Company by your Financial Secretary to the Treasury, Sir Sam H. Lever. What a magnificent change this evidences! I cannot tell you what a joy and satisfaction it has afforded me to see these first steps, sordid and commonplace as they are reduced to terms of dollars, but really evidencing the determination of this nation to put every ounce of strength it has alongside of you and your allies. You doubtless will hear shortly from Lord Cunliffe of the details of his trip; he and his associates had a grand welcome in New York - nothing could have been more magnificent or inspiring, but I shall not burden you with details, which he will be able to give you so much better.

My trip to London, while not entirely abandoned, seems a little less certain because in the first place I have accepted the Chairmanship of the Liberty Loan Committee in New York, which will carry the great burden of placing these war loans and, second, because the banking transactions growing out of them will center in our Bank in New York and will require the

To - Mr. Norman.

May 16, 1917.

utmost care in the handling so as to avoid money disturbances. Again, your good Governor will give you details, with which he is quite familiar. But for the moment at least I feel that my duty is right here until this first loan is successfully launched and the process of redistribution of funds affected. Then I think I shall feel free to make the trip if it still seems advisable; of course I will let you know well in advance.

Arrangements are now in course of making to organize a censorship of foreign exchange transactions. Doubtless the burden of organizing that will also rest on the Federal Reserve Bank of New York and I have taken the liberty of suggesting that it might be profitable to both of us if you could be persuaded to come to New York and give us the benefit of your experience. The plan in detail will depend upon the passage of some legislation now pending, as otherwise our authority is most limited.

We are handicapped in starting our transactions with you on account of having no competent man to look after the detail of that Department, but I am hoping to get one in the near future. Meantime, as you say, conditions make our arrangements of minor importance when these Government loans are coming along so fast.

The French arrangement to which you refer is rather difficult I must confess. The question of the rate of exchange seems to stick with our friend Pallain and I am hoping this week to prepare a dissertation on the subject which may or may not result in final action.

With my warmest regards to you and your associates, I am as always,

Faithfully yours,

Montagu Norman, Esq.,
Bank of England,
London.

BS/CC

Denver, Colorado,
May 18, 1917.

My dear Norman:

The enclosed leaf from the Journal of the American Bankers Association will, I hope, take the sting out of that earlier article.

With warmest regards,

Faithfully yours,

Montagu Norman, Esq.,
Bank of England,
London, England.

BS/CC

Enc.

137
July 2nd, 1917.

My dear Norman:

I am just advised by B. F. Stevens & Brown, 4 Trafalgar Square, that they can furnish me a complete set of Irish posters - 131 in all - for £30. I am wondering whether it will be necessary to pay as much as that for these posters. I am very anxious to get them as just now I am working to secure as complete a set as possible and later on expect to give them to Princeton University.

Would it be possible for me to also get the posters of the War Savings Association and the last British loan which was so successful?

This is a trifling thing to bother you with but I am exceedingly anxious to have my set as complete as possible.

With kindest regards, I am,

Faithfully yours,

Montague Norman, Esq.,
Bank of England,
London, England.

BS/VCM

131
July 6th, 1917.

PERSONAL

My dear Norman:

Yours of the 12th of June has just reached me and I can only send you a line of thanks in acknowledgement as I am cleaning up some work on a holiday preparatory to running over to Washington.

My boy went directly to France and is now driving a munitions truck and probably having a fine time. At any rate, he got what he wanted which is the important thing.

About taking care of myself, I am doing it as well as possible. Now that the loan is successfully launched and only the work of cleaning up the loose ends remains, I am hoping to leave for Colorado Saturday or Sunday to be gone a month.

With warmest regards to you and to my other good friends in the bank, I am,

Cordially yours,

Montague Norman, Esq.,
Care Bank of England,
London, England.

BS/VCM

P. S. Do you think it would a good plan for us to exchange letters and possibly cables at regular intervals in regard to our respective money markets? Our government's operations here, both in the way of loans and tax levies promises to be so heavy that we may have considerable developments to figure on.

137
August 28th, 1917.

My dear Norman:

I am most grateful to you for your help in rounding up the posters which will be an important addition to my collection. Enclosed is a draft for £30 to cover the Irish posters and I think on the whole it will be the best plan to have them all shipped to me here by some good forwarding agent rather than to await my next rather uncertain trip to London.

I do hope this is not causing you a lot of bother.

With warmest regards,

Sincerely yours,

Montagu Norman, Esq.,
Care Bank of England,
London, E. C. 2, England.

BS/VCM

Enc.

EQUITABLE BUILDING
NEW YORK

December 8, 1917.

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My dear Norman:

My preoccupation through the Liberty Loan campaigns and then some indisposition that sent me away for a month have delayed a reply to your kind note of October 19th, returning my draft for £30.

I am now writing to thank you very heartily for taking the trouble to hunt out those Irish posters, which have come to hand, and which I am very glad to have in my collection.

With many good wishes to you and my other friends at the bank, I am,

Sincerely yours,

Reverend: Howard

M. Norman, Esq.,
Bank of England,
London, England.

BS/MSB

January 21, 1918.

My dear Norman:

I have taken the liberty of giving a note of introduction addressed to you, to my friend, Mr. John T. Pratt, who is sailing for France this week. 146 X

Mr. Pratt is a well-known New Yorker, son of Mr. Charles Pratt whom you doubtless know as one time connected with the Standard Oil Company. Since the outbreak of the war he has been engaged in some important work in the Department of Labor, in Washington, and has now resigned to take up work in France.

He is a very warm personal friend of mine and a delightful fellow in every way, and I hope his engagements abroad permit him opportunity to meet you. Anything that you can do to facilitate the objects of his trip will be warmly appreciated.

With kindest remembrances for the New Year, and thanking you in advance, I beg to remain,

Sincerely yours,

~~Mr. Montagu Norman,~~
Bank of England,
London, England.

BS/HAB

137
13
January 21, 1918.

Dear Sir:

146
This note will be presented to you by my friend, Mr. John T. Pratt, who is just leaving this country to accept a position of importance in the American Red Cross, Field Service, in France.

I hope that Mr. Pratt's duties will permit him opportunity to present this letter to you, as he is a very warm friend of mine and I am sure you will be glad to know him.

Anything that you can do to facilitate his work or his trip will be greatly appreciated by me.

Faithfully yours,

Mr. Montagu Norman,
Bank of England,
London, England.

BS/HAB

137
April 27th, 1918.

Dear Norman:

Only the very busy environment in connection with the Liberty Loan has delayed my sending you this note of warm good wishes upon your taking office as Deputy Governor of the Bank of England.

It is a wonderful tribute to you for which, however, I know the penalty is a very heavy one in the responsibility which goes with it. I wish you every possible success and happiness and honour which, of course, I know how fully you deserve.

You will be interested I am sure in knowing what a wonderful change has taken place in public sentiment about the war. We are thoroughly aroused, I believe, to the world's peril and the only criticism one hears now is criticism of those in authority for not getting armies to France fast enough. Give us time and we will have all the men and all the supplies needed. The best word one can send you from America is the plea to hold out on the Western front until we have the privilege of joining you in giving Germany a sound thrashing.

Incidentally, there are a good many indiscreet Germans in this country nursing black eyes and damaged features as a result of indiscreet remarks in public places. The enclosed cartoon is a little evidence of the extent of the sentiment.

Our loan is booming. We have not yet completed the total but still have eight days to go with about two billions of the loan already subscribed. The distribution is the most wonderful thing that has ever been accomplished. Practically everybody from one end of the land to the other is buying bonds. With this, I am enclosing an account of what took place in a little community up in the Adirondacks. Incidents of this kind come to light from all over the country. So please be sure that we are on the way and in dead earnest.

Cordially yours

Governor.

Montagu Norman, Esq.,
Deputy Governor, Bank of England,
London, England.

BS*VCM

Encs.

106^A

ack. 2/10/18

FEDERAL RESERVE BANK
OF NEW YORK

↓

*

October 2, 1918.

104^A
107^A

My dear Norman:

Many thanks for your kind note of September 10th.
I am hopeful that arrangements with the Bank of France may
shortly materialize and be of like character with those
already so happily established with the Bank of England.

I wish I had time to write you fully about our
pending loan. It is an undertaking of immense size, and
will require efforts even greater than heretofore attempted.
We are confident, however, of making the loan go.

Cordially yours,

Rees: Strong

Montague C. Norman, Esq.,
Director of the Bank of England,
London, England.

BS/MSB

*M. Norman,
105. Penn.*

November 22, 1918.

My dear Norman:

Your letter of October 22nd reached me a little delayed owing to my absence in Washington, where some of us assembled for the purpose of discussing that rather difficult and unpleasant operation of "washing dirty dishes." I suspect that you and your associates have made more extensive preparation for that sort of work than we have.

It will be a great pleasure to meet Mr. Rae if I am here when he arrives, and, if not, I will see that he is suitably received by my associates. The last year and one-half has not had a particularly favorable effect upon my physical well-being so I am going off shortly to patch up a bit in the hope that I can buckle down to work in the Spring. Anything that we can do for Mr. Rae will be a pleasure on your account and because, as you know, of our very earnest desire to promote anything that means a closer alliance and better understandings with you and yours.

We have not been able to eliminate in this country, as you have, the detriment of "business as usual." I regret to say that a large part of the cost of this war has been conducted as a luxury, so to speak, without interfering to as great an extent as it should with our regular business, and, particularly, with our every day extravagances. Business has really been booming in most lines and, of course, this makes it the more difficult to clean up war operations on satisfactory terms. I hope, however, that the slow-down of our war industries will bring about enough liquidation to liquidate bank loans and, somewhat, the position of the reserve banks, which have carried, as you know, indirectly, a very considerable part of the load. We are, however, fortunate in one thing, that the greater part of nearly seventeen billions of dollars of bonds has been pretty well absorbed; the earliest maturity is ten years hence; and the short borrowings of the Government have been cleaned up twice a year until the present time, when I fear there will be some overlap, possibly of a billion or a billion and a half dollars.

The Fourth Liberty Loan was an astonishing success. The country took within eleven million dollars of the great total of seven billions, meaning nearly a billion dollars over-subscription. In this district we were charged with raising a billion, eight hundred million and actually raised two billions, forty-four millions. The best estimate, so far, would indicate that there were about twenty-one million subscribers, and this, of course, does not take into

11/22/18.

account the sale of war savings and thrift stamps.

I have saved until the conclusion of this letter a word of rejoicing about the glorious outcome of this war. What a splendid thing it is! If you will be good enough to show this letter to your associates, I will convey to all of them, including Lord Cunliffe, whom I presume you see regularly, a suggestion that is very much in my heart.

The principal danger now ahead of us, to my mind, is not social and political disorder. We are going to have changed social and political conditions, but I am confident that order will gradually be restored even in distracted Russia as the real centre of infection is in course of being booted out, namely Germany. What I do fear is that our peace negotiations, and possibly their terms and conclusions, will develop along lines of economic strife. I see evidence not only in this country, but in England, that business men and those in political office who claim to represent business are thinking of the main chance, and if England and the United States can not agree upon a program by which the strife of competition for business in all departments and in all parts of the world is not held under control, we will revert, I fear, to a period of economic barbarism which will menace our prosperity and certainly not promote our happiness. [Those men who are about to sit in Versailles and determine the fate of the whole world for generations to come, have the opportunity to start the world toward better days, or they may make it the occasion to strive for national advantage one over the other, which will make the fruits of this war rather bitter in future years. I think that our President, who is here regarded much as an idealist, has, nevertheless, expressed in his public utterances about peace the sentiments which should control at these negotiations, and, for one, I am glad that he is going to attend, as now seems likely, because I believe he may be relied upon to use his great influence to the limit to eliminate from the council that very element of strife which I greatly fear.]

There is no doubt that much of the world's happiness in the future will depend upon the relations now being established between your country and ours. Don't let's permit ourselves to fall back upon old methods, but set up some sort of economic partnership in which every self-respecting and deserving nation may participate.

You may laugh if you please at this exposure of my personal feelings, which were just as strong when I was last in London, although, possibly, I did not then feel at liberty to express them. I am relying

11/22/18.

very much in future years in financial matters upon the strength of our alliance with the Bank of England to help in the direction of the above suggestion. //

Why don't you take the time some day to write me just how you feel about things.

The war is over -- We paid but a small price compared to you and others in winning it, and I want to see this great country contribute now what it seemed unable to contribute in the early days, and that is a great constructive piece of work in restoring so much of the damage that you and others have suffered.

With warmest regards to you, Cokayne, and the others at the Bank, I am,

Very sincerely yours,

~~Montague C. Norman, Esq.,~~
~~The Bank of England,~~
~~London, E. C.~~

BS/MSB

type

124

FEDERAL RESERVE BANK
OF NEW YORK

Ritz Hotel
23.12.18

123 A
130

December 9, 1918. *

Ans 3 12.18.

My dear Norman:

With this I am enclosing copy of a note of introduction which I am handing to Senator Robert L. Owen. You will doubtless recall him as one of the authors (associated with Representative Glass of the House) of our Federal Reserve Act.

The Federal Reserve Act involved such stupendous changes in our banking system and methods, and was indeed a venture into such new fields, that, naturally, its perfection has involved numerous amendments since its original passage. In this whole matter Senator Owen has had a continuous interest and responsibility by reason of his chairmanship of the Finance Committee of the Senate, to which legislation of that character is referred, and where it generally originates.

Senator Owen is, of course, very much interested in methods pursued abroad and intends, I believe, to devote some time to their study during his present visit.

I am frank to say that with some of his views I have not entirely agreed, as I believe them to be rather more radical than is justified. On the other hand, his deep interest in this great reform of American banking has resulted in the passage of one of the most important and constructive pieces of legislation ever enacted in Congress, and he is able to speak with authority and much knowledge of the developments in this legislation.

12/9/18.

I hope that you may be able to serve the object of his visit,
and trust without too great inconvenience to your good self in these busy
days.

With cordial regards, believe me,

Sincerely yours,

Montague C. Norman, Esq.,
Deputy Governor, Bank of England,
London, England.

BS/MSB
Enc.

FEDERAL RESERVE BANK
OF NEW YORK

*

December 9, 1918.

80^B

F. A.

My dear Sir:

This note will be presented to you by my friend, the Honorable Robert L. Owen, United States Senator from Oklahoma, whom I have great pleasure in introducing.

Senator Owen, who is chairman of the Finance Committee of the United States Senate, was one of the authors and instrumental in the passage of what is known as the "Owen-Glass Bill," or, officially, "The Federal Reserve Act," under which the Federal Reserve System was created.

During his visit abroad, he hopes to make a study of banking and financial conditions, and particularly of banking methods. I will greatly appreciate any courtesies which you may be able to extend to Senator Owen and any assistance that you may be able to render to him in connection with this phase of his trip abroad.

With assurances of my esteem, I beg to remain,

Faithfully yours,

Reverend: Strong

Governor.

Montague C. Norman, Esq.,
Deputy Governor, Bank of England,
London, England.

BS/MSB

125

FEDERAL RESERVE BANK
OF NEW YORK

*

December 10, 1918.

123 A
127 B

My dear Norman:

The Interim Report of the Committee on Currency and Foreign Exchanges After the War is of such interest, that the several copies which Sir Brien so kindly sent to me have been exhausted. Would it be possible for you to have additional copies forwarded to the bank for its use?

Thanking you in anticipation, and with kind personal regards, I am,

Sincerely yours,

W. E. B. Aronson

Montague C. Norman, Esq.,
Bank of England,
London, England.

Card

6 Reports Currency & For. Exchanges

3 " Gold Production

3 " Fin. Relations

Committee on Financial Facilities

M. C. Norman

FILING DEPT.

MAR 5 1919

Lake George, N. Y.,
February 5, 1919.

FEDERAL RESERVE BANK

Dear Norman:

I am writing to apologize ~~for~~ failure to reply to your three personal letters of December 11th and 31st and January 4th, and am writing separately to the Governor in reply to his official letter of December 27th.

The fact is that I am up here in the country recovering from the rather strenuous work of raising money for "Uncle Sam."

After a month of loafing, I am starting in on mail again and now propose to inflict you with a long letter.

Social and political disorders, I suppose, are inevitable and I only hope that a generous spirit will prevail in dealing with them. You are at some disadvantage in that respect because of the inflexibility of English tradition and the remnant of influence of the so-called ruling class. Frankly I fear the influence in English politics of the reactionary and conservative. They will not and can not seem to see the great changes which are now upon us as a result of the war, while, on the other hand, the more progressive statesmen in this country, and particularly our President, I believe do see with a more flexible and with a longer vision some of the troubles to be averted by the adoption of a generous program toward the man underneath. Your election must have been reassuring and I suspect that still greater reassurance is coming from the discussions in Paris, where President Wilson seems to be making progress in cooperation with your own representatives.

Here, in business and finance, we are witnessing a rather prompt recession of prices and a considerable slackening of business. It is still spotty, but is nevertheless well under way and I presume is a good thing,

Rec'd

Sheet No. 2

Montague C. Norman, Esq.

2.5.19.

FILING DEPT.

MAR 5 1919

FEDERAL RESERVE BANK

notwithstanding the hardship that it imposes upon those who have stocks of goods. We are facing a danger in that respect that you will likely avoid, for we have inflated under conditions of prosperity which have left our manufacturers and merchants with pretty round stocks of goods, whereas I imagine that your shelves, and still more so those on the Continent, are fairly bare of reserve supplies.

You certainly have an immense problem before you in liquidating your bank position with the enormous government floating debt and those wretched currency notes to deal with. [Our problem is really confined to the liquidation of possibly four or five billions of bank expansion, which I believe would be completely accomplished if the reserve banks were able to liquidate about a billion dollars of their advances. You will observe from the enclosed statement, preliminary to our annual report, that in the past year we have added roughly a hundred million sterling to our loans, advances and investments at the New York Bank, which is possibly 40% of the total reserve bank expansion.] When one examines the reserve bank statement carefully, it will be seen that we have tremendous resources available for the future and I think much of your own problem will depend upon such understanding as may be arrived at between our two countries by which these banking resources can be made of service to yourselves. I would like to see such an understanding reached between us that ^t jealousys and bickering will disappear and that these problems may be worked out in partnership so far as the banking end of it goes. I believe the greatest difficulty comes from a fear on the part of your London bankers of the Holden type that we are going to encroach upon the English banking preserves. Frankly, I don't see how it can be avoided for a time because when the period of temporary unsettlement is over we are going to have the reserve of banking capital in this country and it is

bound to find an outlet.

[Some freedom in these matters will enable you to get your raw materials more promptly and at better terms than otherwise, and, in the long run, the financing of the world's commerce will find a natural place and will not stay permanently in an artificial place, nor, under artificial conditions, either remain in London or come to New York.]

I have been disturbed at the published reports of a discussion of an international gold settlement fund to be established by agreement at Paris. The only international gold fund required for the present is one to be dealt with by a triangular arrangement between the Bank of England, the Bank of France and the Federal Reserve Bank of New York. If we can have a thorough-going, working understanding between the three institutions in this matter, I doubt if anything further would be required or desirable for many years to come.

[Thank you for the other reports enclosed with yours of December 31st, which I have not yet read, but will do so now that I am settling down to work again.

I hesitated to burden you with these letters of introduction of Senator Owen. On the other hand, he is a man of importance in all of our banking and financial legislation. I disagree thoroughly with many of his views, and, unfortunately, he is one of those men from the west who seem to cherish some prejudices against ^{the} Wall Street. You need make no apology for the manner of his reception. He is a thoroughly educated advertiser, and I gather from the import of your letter and the clipping enclosed that you have some of that

stripe in London.]

Senator Owen is beset with the notion that the difficulties of the world in foreign exchange can be solved by the establishment of a government-owned foreign exchange bank in this country, which would stabilize exchange within the gold shipping points and furnish all the gold necessary for the purpose. We have all of us opposed this scheme, and I fear some of us have incurred his everlasting animosity in consequence. It is another example of the degree to which the American people like to have business managed by legislation. They approach the subject very much as Joshua and King Canute did. "

As bearing a bit upon our discussions of bank expansion, I am enclosing an article by one of the members of the Federal Reserve Board embracing various views which I do not pretend to entirely endorse, but giving also some interesting computations on pages fourteen to sixteen, which you may be interested in reading.

With warmest regards to you and your associates, I am,

Faithfully yours,

Montague C. Norman, Esq.,
The Bank of England,
London, England.

BS.MSB

B.S. Personal
M.
LIBRARY

MAY 7 1919

May 2, 1919.
FEDERAL RESERVE BANK

Dear Norman:

I have been intending for some weeks to write you about a number of matters, but the pressure of this fifth loan keeps me regularly behindhand in correspondence.

You surely did not misunderstand our action in building up a balance with the Bank of England! We may add to it some day, but it is to be considered simply as a peg, to remind you that some day we are going to hang something on it.

When Lord Cunliffe was here he displayed a great deal of interest in the methods pursued in placing our Government bonds. It occurs to me that you and your associates may be interested in looking at the chart of our headquarters Liberty loan organization for the Second Federal Reserve District, which gives a graphic explanation of the detail with which this work is organized. This chart, by the way, simply covers the organization in the City of New York, and the so-called headquarters organization, which directs activities all over the Second Federal Reserve District, which comprises New York State, the northern half of New Jersey and a small part of Connecticut. Very much similar local organizations exist in every city in the district and generally throughout the country.

With this chart I am sending an illustration of another one of our great problems, which is reaching peoples of various foreign origins and languages. Part of this great organization of ours includes a division dealing with thirty-two foreign language groups and it is simply astonishing the number of subscriptions that they turn in.

The loan is going slowly. We have no such popular interest or enthusiasm as in former loans, but by the time this letter reaches you I am confident that it will have been announced as a great success.

5/2/19.

Jim Brown tells me that there is some possibility of your being over here this summer. There is some similar possibility of my being in London. I would be disappointed were we to cross in our visits, and, if on receipt of this letter you feel able to send me a brief cable indicating something of your plans, I would try, so far as possible, to shape mine accordingly.

Last night Jim gave a splendid dinner to two of his London partners, when we pledged the everlasting friendship of Great Britain and the United States in bumpers of very expensive champagne.

So much for now; a little later I will write you something of what is going on here.

With warmest regards to you and your associates, I am,

Cordially yours,

Montagu C. Norman, Esq.,
Deputy Governor, Bank of England,
London, England.

BS/MSB

LIBRARY

MAY 9 1919

FEDERAL RESERVE BANK

May 7, 1919.

My dear Norman:

Just to give you a little idea of a Liberty Loan operation, I am enclosing a daily bulletin of the Publicity Department, giving the program arranged for to-day. You see we have to keep things stirred up, and this is the way we do it.

Best regards,

Sincerely yours,

Montagu C. Norman, Esq.,
Deputy Governor, Bank of England,
London, England.

BS/MSB
Enc.

FEDERAL RESERVE BANK
OF NEW YORK

Benj. Strong

BS/MSB

(TO BE MAILED)

CABLE

XXXXXXXXXXXX
CONFIRMATION OF TELEGRAM SENT IN CIPHER
XXXXXXXXXXXX

We hereby confirm our code message of this day, translation of which should read as follows:

~~Montagu Norman~~
Bank of England London

Planning visit to London last of June if possible to arrange it

BENJ. STRONG

JUN 3 1919
FEDERAL RESERVE BANK
JUN 2 1919
HAMILTON MIL
BOND

copy on file
B. Strong - European Trip
1919

June 18, 1919.

LIBRARY

JUN 20 1919

FEDERAL RESERVE BANK

Dear Norman:

Much to my delight I am sailing for Europe by the Baltic on or about July 1st, and am, therefore, looking forward to the pleasure of a visit with you in the near future.

Faithfully yours,

Bd.

Montagu C. Norman, Esq.,
Deputy Governor, Bank of England,
Threadneedle Street,
London, England.

BS/MSB

FEDERAL RESERVE BANK
OF NEW YORK

BS/MSB

(TO BE MAILED)

CONFIRMATION OF ~~TELEGRAM~~ SENT IN CIPHER

C A B L E

We hereby confirm our code message of this day, translation of which should read as follows:

Montagu Norman

Bank of England London

JUN 27 1919
June 26 1919
FEDERAL RESERVE BANK

Many thanks Am bringing secretary Can you get accommodations with
sitting room at Ritz Will gladly visit you on return from Continent
Sailing Baltic July twelfth

BENJ. STRONG.

Norman Montagu
LIBRARY

JUL 1 1919

FEDERAL RESERVE BANK

June 30, 1919.

My dear Norman:

I have given instructions to have certain papers of some value sent to me from France in care of the Bank of England, and I hope it will cause no inconvenience to have them locked up and held awaiting my arrival.

Probably before this note reaches you I may have occasion to cable you in regard to the handling of the matter to which these papers refer. I sincerely trust that we are not proposing to put you to great trouble and inconvenience in the matter.

With cordial regards and looking forward to seeing you in the near future, I am,

Sincerely yours,

RA

Montagu C. Norman, Esq.,
c/o Bank of England,
London, England.

BS/V

July 28, 1919.

Montagu Norman
Bank of England, London

Will be at Ritz Hotel, Paris, until Friday. Will appreciate your forwarding anything received for me to reach me that date.

STRONG

RITZ HOTEL, PARIS, FRANCE.

August 16th, 1919.

Mr. Montagu Norman,
c/o Bank of England,
London, England.

My dear Norman:

Quite unexpectedly I am leaving tonight for a hurried trip to Constantinople, expecting to return to Paris inside of four weeks.

You may consider this a most erratic performance but it seemed necessary for me to go and in order that matters may not be delayed, I am asking Mr. Kent to arrange the details in regard to the gold shipment and am giving him the necessary letter of instructions. A formal letter addressed to the bank is also enclosed.

With cordial regards,

Sincerely yours,

Encl.

Hotel Ritz, Paris,

August 26, 1919.

My dear Norman:

Thank you for your note of the 22d. Since I wrote and telegraphed you in regard to the Spanish payment, I am advised by the Federal Reserve Bank that no payment need be arranged by this method, at least in the near future, so you may proceed with the shipments as covered in my letter of August 23 to the Governor.

It seems a shame to give you all of this trouble, but I am counting upon being able some day to do as much for you.

You may expect to see me in London some time around the 1st of the month.

With kindest regards,

Sincerely yours,

Montague Norman, Esq.,
c/o Bank of England,
London.

BSjV

Hotel Ritz, Paris,

August 27, 1919.

My dear Norman:

If you haven't already read it, the enclosed clipping from the New York Times I am sure will interest you.

Sincerely yours,

Montagu Norman, Esq.,
c/o The Bank of England,
London.

BS/V

(1 encl.)

Hotel Ritz, Paris,

August 29, 1919.

Dear Sir:

A cablegram just received from the Federal Reserve Bank will make it necessary for us to ship the entire amount of gold, that is, approximately 440,000,000 marks now held by the Nederlandsche Bank, to London, and while I regret the necessity of imposing this additional trouble upon your good institution, an inevitable change in our plans makes it necessary.

It also may be necessary to ship the entire amount now held by the Banque Nationale de Belgique, concerning which I shall telegraph you probably from Brussels early next week.

Letters to this effect are being sent to the Nederlandsche Bank and the Banque Nationale de Belgique, but it will doubtless be necessary that they also receive instructions direct from you.

I am just advised by the Bank that Messrs. Chubb & Sons seem to have been disturbed by reports which they had received from this side indicating that some insurance might be placed direct in London. I have cabled to New York that this doubtless arose from inquiries as to rates for shipments to Paris or Madrid, and that no insurance will be placed in London. This limits the value to be covered in any one shipment, plus the cost of shipment, to \$6,500,000.

I am sending Mr. Kent a copy of this letter and will greatly appreciate your further assistance in carrying out our plans.

Very truly yours,

Montagu Norman, Esq., Deputy Governor,
The Bank of England,
London.

BS/V

October 1, 1919.

My dear Norman:

My trip home was in every way delightful and my first act on arrival would have been to cable you to that effect had I not gotten off the boat so late Friday evening as to make it impossible to do so; and the next day I was yanked right over to Washington, where I have been staying ever since, more or less locked up with my associates.

Nothing could have given me greater pleasure than my visit with you at your home and, later, my induction into the circles of the Bank. A little later, when my desk is cleared up, I shall write you a bit of news from this side and, in the meantime, accept my warmest thanks for many kindnesses and many acts of hospitality, all of which I deeply appreciate.

Won't you also give my best wishes to the Governor?

Sincerely yours,

Montagu Norman, Esq.,
care Bank of England,
London, England.

BS.MSB

X European Trip 19

October 20, 1919.

Dear Norman:

*File
- See R.C. Liffingwell
10/18/19*

The enclosed article from the Wall Street Journal in relation to our discount rates may interest you. It does not necessarily reflect an official opinion, and I am not aware of how the article originated; it did not come from this Bank. Nevertheless, there is a growing feeling in financial circles that our discount rates should be raised and our policy in that regard will probably be determined immediately following the conference of governors of the reserve banks to be held in Washington on the twelfth of November. Until then a change seems unlikely.

Hoping that you keep well, and with kindest regards, I

am,

Sincerely yours,

Montagu C. Norman, Esq.,
care The Bank of England,
Threadneedle Street,
London, England.

BS.MSB
Enc.

EUROPEAN FINANCE.

ITS DEPENDENCE ON AMERICA.

New York Banker
Interviewed.

BRITISH POLICY
COMMENDED

(FROM OUR OWN CORRESPONDENT.)

WASHINGTON, Oct. 1.

I have had an interesting talk with one of the most prominent bankers in New York, who has just returned from Europe, where he went on behalf of his own and affiliated Institutions to investigate European financial conditions and to find the extent to which Europe is dependent upon the United States for credits and loans. In England this banker conferred with the Chancellor of the Exchequer and the leading bankers and industrial chiefs, and he saw also the French and Belgian Finance Ministers and important financiers in both these countries.

England, he tells me, has set her face against borrowing, both on Government and private accounts, and believes that our only way out of the present difficulties by increased production, by economy, and by limiting her foreign purchases only to the raw materials which are absolutely indispensable for foreign and home trade, to foodstuffs, and to other articles which must be obtained from abroad. While regretting this decision from the standpoint of American banking interests—as there would be a handsome profit to American bankers if England was a heavy borrower in this market—this banker commended it as a sound policy, and expressed his warm admiration for the courage and far-seeing vision of the British Government and the British bankers and merchants in resisting the temptation to borrow and in relying on their own resources and energy to rehabilitate themselves.

THE POUND AND THE DOLLAR.

Despite the war and the adverse exchange, English credit is still rated very high, as is indicated by the willingness of American banks to lend practically any amount that may be needed, and they would like to make loans to British municipalities, but they see little prospect of that at the present time. In regard to the depreciation of exchange and the premium on dollars in their relation to sterling, this banker says that while various schemes have been proposed to bring the pound back to parity, none of them is feasible and none of them will work, because all are founded on an artificial basis; and while they might meet the emergency temporarily, in the end natural laws will assert themselves and conditions then would be even worse than they are

There is only one solution, and that is for Great Britain gradually to restore parity by redressing the balance, and that can be done only by increasing the volume of exports to the normal ratio of imports, so that England ceases to be a debtor nation and once more resumes her place in the foreign trade of the world. This, he contends, can be done by every man in England realising the position, and by every man, employee as well as capitalist, not being satisfied with working harder but by working more intensively, so that the output can be greatly increased; production on a large scale will thus decrease the cost and enlarge the market for British made goods.

THE WORKING MAN'S LOAF.

The British working man, this banker says, ought to be made to understand that he has as great an interest in foreign trade as the British banker; and while the working man may think it makes no difference to him what may be the exchange rate between the pound sterling and the American dollar, he ought to have sense enough to see that when the sovereign can be exchanged for only four dollars and ten cents in American money instead of in the normal exchange for four dollars and eighty-six cents, the sovereign will buy less wheat than it did formerly. Consequently, the price of flour must correspondingly advance and the working man's loaf of bread must either cost more, or, if the price is maintained, the loaf will be smaller; so that the question of exchange is as important to the working man as it is to the banker or to the importer, and it is the working man who can send the sovereign up to its proper price and decrease the cost of his living.

This banker believes that unless England increases the volume of her exports, it is not unlikely that sterling will go to four dollars, and he thinks that both sterling and francs would be lower were it not for the gambling now going on in the exchange, which has tended to check their downward course.

THE WEAK POSITION OF FRANCE.

The French believe that they can borrow in the United States because of the warm regard the Americans have for the French, but American bankers have carefully impressed upon the French Government and on French financiers that they are mistaken, and that it would be impossible to float a large French loan in America through the ordinary methods. France would like to borrow 200 millions sterling or more in America at from 4 to 4½ per cent., but the American bankers do not believe that they are justified in accepting the risk.

The American has not yet been educated to the point of buying foreign securities, and while during the war he responded readily to his own Government's appeal to buy bonds, he did it for the same reason that he accepted conscription—the national necessity left him no alternative. Believing that the American public would refuse to buy French bonds, American banks refuse to stand sponsor for them. The only way by which France can secure a large loan in the United States is through the American Government, but that would require the sanction of Congress, and my informant does not believe that Congress would give the Treasury the necessary authority. Some of the French Municipalities can borrow in America at 5

France, in the opinion of this banker, must realise her position and find the money by greatly increasing her taxation, which she ought to have done, he says, during the war, as England did. While the French Government itself is pressed for money, the French people are richer than they were before the war, and if they will submit to heavier taxation the rehabilitation of their country will be easier.

BELGIUM AND ITALY.

Belgium's credit is regarded as good. Recently she secured a credit of 50,000,000 dollars through a syndicate organised by the Guaranty Trust Company of New York, and the same syndicate is ready to advance her another 50 or 100 millions if she requires it.

Italy would not be averse to borrowing in America, but the American bankers give her no encouragement.

The new States created by the war, and also some of the Balkan States, need money or credits, but can obtain little of either through private American sources, and Congress looks with disfavour on any suggestion to have the American Government act as a general European banker.

October 21, 1919.

My dear Norman:

I have just received and read with much interest the views of a New York banker, interviewed by the Morning Post, in regard to European finance, which you were good enough to send me.

It may be that you assume I was in some way responsible for the article, but the fact is that I have stuck to my determination not to talk to any newspaper men in regard to conditions abroad. One is so liable to be misquoted, and even if correctly quoted to be misunderstood, that I believe more harm would result than good and so I am like Brer Rabbit, "laying low."

Much to my chagrin, I learned from Mr. Stettinius a few days ago that what purported to be an interview with me, or an expression of views indirectly from me, had appeared in the London Times, and had been extensively quoted in Paris. These views were understood to be very pessimistic about the French situation, and indicate that I had returned home in some disgust because of my conclusion that the French Government was persisting in an unsound financial program, which would bring disasters. The only newspaper man that I saw abroad was Mr. Kiddy, and, of course, he could have written no such article, as I do not recall that the subject of French finance was discussed at your house that night when I met him. If, therefore, I am quoted in the newspapers, or privately by newspaper men, you may with confidence assume and state that anything attributed to me of that sort can be promptly denied.

10.21.19.

Between you and me, there is a good deal in the Morning Post article that is very true and sound, and, as it is dated from Washington, I suspect that it may have come from a friend of mine who has recently been abroad and who doubtless gathered much the same impressions that I did.

We are struggling away with our problems, certainly as numerous as yours, but not as difficult, not the least being labor. There is being disclosed from time to time evidences of activity of extremists and agitators, which, as reported in the newspapers, may give you a false impression as to what is going on. This country has inherited with its British blood certain views about law and order, in which I have the greatest confidence. Don't permit yourself to be disturbed in the slightest degree by these reports! We are bound to have strikes; there may be some violence accompanying them; but I am more confident than ever that neither you nor we will suffer anything of a revolutionary character coming out of these disorders, and I am prepared to back my opinion against those who through natural timidity or through their enjoyment of excitement and disturbances prophesy all sorts of dire things.

Should you happen to see my friend Hartley Withers, would you be good enough to tell him that I have a letter in process of preparation to him about the Federal Reserve System, which will go forward in due course, as well as a copy of Professor Kemmerer's book.

10.21.19.

With kindest regards to the Governor and yourself, I am,

Sincerely yours,

Montagu C. Norman, Esq.,
The Bank of England,
Threadneedle Street,
London, England.

BS.MSB

PRIVATE:

November 6, 1919.

My dear Norman:

Your letter of October 21st arrived just as we were in course of carrying out the program which I had discussed with you and the Governor before sailing. Enclosed is a copy of the notice of rate change, together with a little statement given to the press in explanation, which happens to be a very much shorter statement than I had expected to make, boiled down to this small compass because of some fear that we would be charged with making a direct attack upon the speculative stock market.

All the Reserve Banks are loaning too much short money under the 15-day rate and the advance of $1/2$ of 1% at this center will bring our rate so close to the unprofitable point for the banks that use it that I anticipate they must begin to think of paying off a little more actively than heretofore. We have no less than \$775,000,000 of advances at 4%.

Lest you may misunderstand the gyrations, I should explain that the market for commercial borrowings and borrowings upon Government securities is now pretty well divorced from the speculative call money market. Our banks seem to have been educated not to use the Reserve Bank very extensively in order to make profit on the stock exchange rate. Those that give evidence of doing so we admonish, but, in the long run, nothing will be so effective as you realize as a rate which is unprofitable, and, notwithstanding that money is loaned at times at 10% and above on the stock exchange, our minimum rate of $4-1/2\%$, with expenses and taxes

added, gives very close to the gross return realized on all invested funds by the banks in this city. If this turn of the screw is not enough, then we must give it another, but we are determined to stop this mad march of speculation and expansion, whether it be in securities, real estate, commodities, or what not.

The rate of 4-1/4% which you will observe simply applies to about \$100,000,000 of Treasury Certificates outstanding was made in order to help the position for the Treasury in case circumstances justify their attempting later in the year to borrow at that rate. I have never felt quite so satisfied with myself as just now in feeling that the first and most important step has been taken in freeing the Reserve Bank rate policy from the overshadowing influence of the Government's borrowing, but, privately, I must admit that it was not brought about without a grand struggle.

Thank you for your remarks about the situation which interest me very much. I shall read the "Economist" on arrival, although it seems to be a bit late.

Before sailing for home, I arranged with Mr. Kent to bring you from France a consignment of "Lucky Strike" cigarettes and do not understand why they have not arrived. He proving an unsatisfactory commissioner, I shall try and send some over from here.

I must add one word about our political situation. The election which took place Tuesday gave the following indications: a Governor Coolidge's re-election in Massachusetts by an overwhelming majority was an indication that the people through the country prefer law and order to lawlessness and disorder and is encouraging; the elections in New York were a distinct setback to the Tammany Democratic political organization; throughout the country there was some evidence of a reaction from the rather hysterical spirit of prohibition, but, of course, this will not defeat the effect of

10.6.19

Constitutional amendment.

The election as a whole had little bearing upon the ratification of the treaty, but I must admit that it now seems hopeless to expect the treaty to be ratified without some rather severe reservations, although my personal view is that such sentiment against the treaty and league as exists throughout the country is a fairly superficial one, due partly to unskillful handling by the friends of the league idea, and partly to the cultivation of the spirit of so-called "Americanism" by the Republicans, creating at the moment a sentiment somewhat similar to that which arose at the time of the free silver coinage movement. What people overlook here is that the treaty and league cannot be judged by the text of the document; it will be judged by what it accomplishes, or fails to accomplish, and the future will likely disclose the pitiful error of these men in their bitter opposition.

Won't you write me some afternoon when you have finished your tea with the Governor?

With warmest regards to you and to him, I am,

Sincerely yours,

Montagu C. Norman, Esq.,
Bank of England,
Threadneedle Street, London.

BS.MSB
Encs.

November 7, 1910.

My dear Norman:

Possibly you may get some interest or amusement in looking over the enclosed publication, being the House Organ of this institution, which is published entirely by the employees in such manner as suits their own taste.

Sincerely yours,

Montagu C. Norman, Esq.,
Bank of England,
Threadneedle Street,
London, England.

BS. MSB
Enc.

November 11, 1919.

My dear Norman:

I am sending you a shipment of "Lucky Strikes" which I hope succeed in passing the authorities in good shape if they ever succeed in securing transportation during these days of congestion.

You may be interested in looking over the enclosed news clippings in relation to our rate changes.

Sincerely yours,

Montagu C. Norman, Esq.,
Bank of England,
Threadneedle Street,
London, England.

BS/MSB.
Enc.

December 8, 1919.

My dear Norman:

I have taken the liberty of sending the Governor a reply to your last letter, which will reach London in your absence, and am writing him again today. You will, I hope, accept these letters as addressed equally to your good self.

You will, shortly, I believe, become Governor of the Bank of England. It seems quite unnecessary for me to write you anything in the nature of congratulations or good wishes, because I know you understand that you have them from me without limit, but at least I can say that if at any time I can personally or officially, or in any way, be of service to you as Governor of the Bank of England, I want the opportunity to do so.

There is one matter concerning which I greatly hesitate to write you, certainly without asking you to decline the request I am making if it is a bother, or in any way inappropriate. The employees of the Federal Reserve Bank have an organization, known as the Federal Reserve Club, which publishes a house organ, of which I am sending you a copy under separate cover. This magazine is passing under the management of a new editorial staff and the members have asked me to assist them in getting some interesting material from time to time. It occurs to me that nothing would prove more interesting than some little account of some of the traditions and peculiarities of the Bank of England. This is not a request for you to prepare it yourself, unless you would care to do so, but rather that you select some one in the organization who could do so without great inconvenience. A little description, for instance, of the Bank Guard with the traditional privileges of the officers in command, which, as I recall, consist of a guest, a bottle of Port, and two bottles of Claret, etc. Some description of the customs of the Bank that are of a different or picturesque character (don't laugh, please, at the suggestion

that the Bank of England is picturesque!) would be most interesting indeed. I have also in mind the phrase which I have heard used, "passing the chair."

At least I would not think of submitting this request without preferring the same for any similar publication, if there is one published, by your own organization.

With kindest regards and hoping that you have enjoyed to the full a good holiday and will come home prepared for your new responsibilities, I am,

Sincerely yours,

Montagu C. Norman, Esq.,
The Bank of England,
Threadneedle Street, London.

ES.MSB

December 11, 1919.

My dear Norman:

My oldest boy, Ben, graduates from Princeton University in June and is quite determined to be a banker. I want to send him abroad for some training, but am uncertain as to where I should send him first, London or Paris, or whether I should give him a year or two in some good American bank. You remember we once discussed this when I was in London and I will greatly appreciate an expression of your own views as to whether I should turn him loose in London now or give him a little work here first. Also, if I should send him to London, where do you think would be the best opportunity for him to really learn the business and lay the foundation for his career at home? You will remember that Tiarks was good enough to suggest that he would be glad to have Ben in Schroder's, and I told Tiarks that I would be glad to reciprocate with his boy, giving him a little knowledge of banking in this country. Would that be a good place for Ben, or have you some other suggestion?

It is only fair to say that Ben is an unusual boy in the fact that he is conscientious to a degree, serious about his work, and absolutely dependable. He has a working knowledge of French, which he is polishing off at college, and a few months in France would, I think, finish it off pretty well.

Please give me your best advice. Were you in similar circumstances, I would be glad to reciprocate.

With kindest regards, I am,

Sincerely yours,

Montagu C. Norman, Esq.,
The Bank of England,
Threadneedle Street, London.

ES.MSB

CONFIDENTIAL

December 19, 1919.

My dear Norman:

At last I am able to send you a little exhibition of what we are trying to do to provide this institution with a suitable home. Under separate cover I am sending you the following papers:

1. Copy of the program of competition for the selection of an architect.
2. Copy of the description of the competitive plans, the author of which was selected.
3. Photographs of the competitive plans called for by the program.

Of course the building designed by Messrs. York and Sawyer is not, in detail, the one we will actually build. It is what might be termed a hypothetical solution of our building problem, based upon the description contained in the program of competition, but it will give you a general idea of the needs of the bank and of what we are seeking to accomplish. From now on these drawings will be studied by our staff, and the bank and its organization will be studied by the architects, and, between the two, I hope we will produce a workable plan for building a structure which will be adequate to accommodate all of our business for some years to come. The land on which it will be erected has cost about four and one-half million dollars; the buildings standing on the land, which will be demolished, represent a value of about a million and a half, which we have written off from the cost of the land. If we erected the building today it might cost ten or twelve million dollars. We regard that as too high, notwithstanding our immense earnings and resources, so we are going to defer building until there is some encouragement that building costs will be reduced.

12.19.19

This letter is rather confidential, because I want to tell you of a little change in my plans. The doctors have been at me recently and say that I must go away. The directors have, accordingly, given me a year's leave of absence and early in January I am starting for Arizona for a couple of months. After that, if my health is equal to it, I am planning to do some traveling with an old friend of mine who is just now footloose. We will probably reach London some time in April, be there long enough to get information, some equipment, and some letters to people in the East, and then we hope to visit India and Japan and some of the out of the way places in that region. So I may see you shortly after you are in office as Governor of the Bank. My plans are still a bit indefinite, but, barring bad reports regarding health, I think this is about the program. At any rate, I am going to forget business for a year and try and get well completely.

My best regards to you and to the Governor.

Sincerely yours,

Montagu C. Norman, Esq.,
The Bank of England,
Threadneedle Street, London.

BS.MSB

P. S. I would rather not have these plans known for the present!

DECODE OF TELEGRAM RECEIVED FROM FEDERAL RESERVE BANK OF NEW
YORK, 27th JANUARY 1920.

Banking authorities of state of New York are considering changing laws to permit branches of foreign Banks to extend their business beyond the narrow limit now permitted. The late Lord Cunliffe told us he thought present unrestricted ability of foreign Banks to establish branches in London was undesirable. If you share this view should appreciate your writing to us what, if any, restrictions your experience would suggest if matter were now being considered in England.

TELEGRAM RECEIVED FROM THE FEDERAL RESERVE BANK

30th JANUARY 1920

Answering your enquiry of to-day rate schedule adopted last week likely not to be reduced unless pressure for credit lessens materially. Cannot attempt to forecast future rate policy: in our opinion some time will be necessary to observe effect of present substantial rate increase.

DECODE OF TELEGRAM RECEIVED FROM THE FEDERAL RESERVE BANK
ON THE 31st JANUARY 1920

Would it be convenient for you to exchange our weekly financial cable every Monday in order that your message may be presented at our weekly Board of Directors' meeting on Wednesday morning.

50 B.

FEDERAL RESERVE BANK

R. It 24.

OF NEW YORK

CASTLE HOT SPRINGS HOTEL

HOT SPRINGS, ARIZONA

February

Sixth

Nineteen-twenty

50 A
53

*

Mr. Montague Norman,
Care of The Bank of England,
London, E.C., England.

My dear Norman:-

I felt greatly favored, indeed, by two lots of mail recently received from the Bank which included four letters from you dated January fifth, sixth, fifteenth and sixteenth. I felt guilty as a loafer in imposing so much correspondence on a very busy man but to-day I have an opportunity to answer them all and will do so, hoping that you will treat them just as cavalierly as inclination suggests and I shall certainly understand.

Many thanks for what you say about the Club Magazine. We are doing our best to promote that organization and I am sending you a copy of the January issue, which is under a new editorial staff, and which may also prove interesting. I am delighted the cigarettes finally arrived. I tried various means of getting them to you without the slightest intention you should be molested by the customs people for endeavoring to defraud the British Government. Let the consequences be on my head, but I do hope that you succeed in getting the package from the authorities and am sorry that a stupid blunder seems to have been made in the method of shipment.

Your rest must have done you needed benefit and I only wish you could be with me here in Arizona where there is a climate, I believe, unmatched anywhere in the world. I am starting with a friend on Tuesday for a six or seven weeks' camping trip, sleeping in the open under the stars in air so clear that one can almost reach up and grab the stars out of their setting.

You were most kind to write me a good sound suggestion about Ben's future. It is a considerable step in the future to consider his trip abroad, yet I have determined to do exactly that after we have finished our trip to which I shall refer later, and I am deeply grateful to you

Mr. Montague Norman

February sixth

for your interest which I am sure you will feel is repaid when you know that boy, who is well worth anything that can be done for him. Also, I have to thank you for that most interesting epigram from "Punch." Keynes' book arrived in New York after I left but a copy is on its way to me and I shall read it with a great deal of interest. He is a brilliant but, I fear, somewhat erratic, chap, with great power for good and, unfortunately, in such cases, some capacity for harm. I am asking my secretary to send you a review of the letter written by Mr. Jos. P. Cotton, one of the ablest of the younger lawyers in New York, who has recently formed a partnership with our former Secretary of the Treasury, Mr. Wm. G. McAdoo, and who is a warm friend of mine. You will find it interesting as representing the point of view of a rather more progressive type of American public opinion and written by a man of great ability and wide experience in our affairs.

Since I last wrote you, our trip has radically changed in character. My friend, Mr. Basil Miles, formerly of the Department of State, is with me in Arizona. Early in April my son, Ben, will join us and we shall sail from San Francisco for Japan on April tenth. After six weeks in Japan, we are proposing to visit China, the Philippines, Java, Sumatra, Ceylon, and India, and endeavoring to reach London sometime early in the winter of this year, as I am planning to be back in New York by January first, 1921, or a little later. This change in plan will defer the pleasure of seeing you and my other friends in London for probably nine months or more and if you see Blackett possibly you will be good enough to explain this to him. The rest was necessary as the only alternative of retiring entirely, which I was loath to do until we have developed our new system to a more proven system under peace conditions than could have been done in one year after the conclusion of the war.

And now I come to asking another favor which I hope will not be a bother. I am anxious to get some letters of introduction to officials in India and the British Colonial possessions in the east, particularly for use in India, Ceylon and the Straits Settlements. # We shall not stop in Egypt according to present plans. I am taking the liberty of writing Sir Charles Addis, asking if he will give me a letter making me acquainted at their various offices in the east, as we shall probably make a short stay in China and possibly in the Philippines. I am also writing to my friend, Sir William Tyrrell, at the Foreign Office, as he was good enough to say that if I would write him he would be glad to get letters of the character which we could use for our trip.

also Burmah

Mr. Montague Norman

February sixth

I do want particularly to become acquainted with some of the men who have to do with the finances of the Indian Government, meeting them personally and getting some first-hand knowledge of the Indian financial situation. It occurs to me that you could arrange these for me better than anyone else and likewise if you have any friends in that part of the world to whom you would feel willing to make me acquainted, I would greatly appreciate it. There will only be the three of us in the party, above named. These letters, by the way, should all be sent to me in care of the American Ambassador at Tokio, Japan, who will be advised of our expected arrival and asked to hold them. I hope this is not imposing on your good nature.

Finally, I come to your interesting letter of January fifteenth. Those plans for our new building, I hope you understand, are merely plans prepared in competition to select an architect. The ultimate working plans will be developed by York & Sawyer, who were awarded the competition and are now working on the practical details. I shall hope to explain them fully when I see you in London. The facade might appear monotonous, except that it must be borne in mind that these buildings are built in what is really a canyon of buildings and but a very small portion is visible from the street. The selection of the early Florentine type of architecture was suggested by the appearance of strength and permanence which it gives to the building, somewhat appropriate to the character of the business conducted in the building.

My health is improving and I am glad to say that this rest is doing me everything that I expected of it. By the time I see you in London you will not recognize me, but you may no doubt realize what a serious blow it was to me to be leaving New York just at this time and this is emphasized by action taken since I left. In the first place our rate changes were not at all what I would have recommended nor, indeed, confidentially, did they meet the advice of my associates in the Bank. They were a compromise between differing views of our own with differing views in the Federal Reserve Board itself and, finally, radically different views held by the officers of the Treasury. When this is all past history I shall give you the story in detail, but one thing may be said in justification of the rate increases, namely, that were we to permit such developments as we have witnessed during the past few months to proceed to their logical conclusion, I might say, their inevitable conclusion, we would put it beyond our own power to render any sort of aid to Europe, consuming our resources in the meantime in extravagant living and wasteful expenditure. I fully realized that these higher rates in

Mr. Montague Norman

February sixth

New York would make it more difficult for you, but I hope you bear in mind that the rates last established in New York are not as high as they look, the effective rate, of course, being the one which remains unchanged, namely, $4\frac{3}{4}\%$ for advances upon treasury certificates of indebtedness. The very high rates quoted for stock market money are inevitable and would have developed irrespective of any rate made by the Bank, because we have insisted with the bankers in New York that they must curtail the advances they were making for the support of a dangerous speculation in industrial stocks, particularly oils and automobiles.

It was most thoughtful of you to cable me regarding poor Cunliffe's death. They telegraphed me from the bank at once the word reached New York and my cable to you was sent before this had reached me. I admired him immensely. You have expressed it in a line better than I possibly could have done when you said that no loss could have been greater than his at a time when such a stalwart champion of sound money could so little be spared. I took the liberty of cabling Lady Cunliffe, whose hospitality I enjoyed while in England last summer.

Your comments on the situation I have read with great interest. For some time I have been watching reports from your side and in them observe many evidences of improvement which may not, in fact, be so apparent to you on the ground. The same may be said of our own situation as to Government finances, but I do not feel as comfortable about private finances. People are spending too much money, they are borrowing too much money, and they are doing too much business on borrowed money. Prices are playing leap-frog with expansion and rates so far have done little more than check the stock market speculation but have not reached those who are speculating in their own products. I have preached until I am black in the face, particularly to our bankers, that the test of a good credit is the period of time required to accomplish the purpose for which the credit is granted and they do not seem to grasp the idea that loaning money to an industrial concern which is making profits on contracts to deliver goods a year hence or longer are dangerous loans to make, and personally I dread the day, which will surely come if we don't look out, when a lot of these unfilled orders will be represented by unliquidated inventories.

As to the exchanges, I notice that your Government is becoming interested in the discussion of plans to do something about it. I hope they do not do too much. As I recently wrote Blackett, I think the exchanges are being discussed by three classes of people. The first, a very large class, who seem to think that the Foreign Exchange is the cause of something. These can be dismissed as being simply ignorant.

Mr. Montague Norman

February sixth

The second class, a little more intelligent, consider the exchanges as the effect of something which is taking place and speak of the Foreign Exchange as a barometer. I expect most of our Governments belong in that class. Then again, there is a select and very small class, who look upon the exchanges as a sort of thermostat. I am not at all disturbed to see the thermostat working. It is closing our export door and opening our import door and, of course, vice versa with you. Too radical an interference with these delicate instruments will defer the day of realization of the necessity for hard work and economy, and every time I read in the newspapers of alarm about the exchanges I am hopeful that some strong man will arise and shout from the housetops that the exchanges will never get right until economy is practiced by governments, corporations and individuals, and that, consequently, the correction of the exchanges is a responsibility resting upon every individual.

It is distressing to learn of the failure of the French credit in London but, if I may say so, not as distressing as it is for me to read of the dilatory and, apparently, unsympathetic attitude of our Congress, but I am still hopeful of something constructive being finally done after their vocal chords are really worn out.

This is the last letter you will receive from me for some time I fear, so I have made it a long one. I have a most interesting letter from the Governor which I am also answering to-day.

With warmest regards and hoping that I am not imposing upon you by asking for these letters and with every good wish for your administration of the Bank now shortly to begin, I am,

Very sincerely yours,

Benj. Strong

February 11, 1920.

My dear Mr. Norman:

In the absence of Governor Strong permit me to acknowledge receipt of your letter of January 26th, and to thank you in his behalf for the copies of ^{See pamphlet File} the printed lecture on the origin and development of The Bank of England, which I am forwarding to him today.

Governor Strong is away for a much needed rest in Arizona, and no doubt he will be greatly benefited by his lay-off from business.

Yours very truly,

Secretary to the Governor.

Montague C. Norman, Esq.,
Bank of England,
London, E. C., 2,
E N G L A N D .

COPY

Rd. Mch 19.

As he leaves Frisco on Apl 6? this
cannot be answered -

A/o, Arizona.

Mch 1st 1920

My dear Norman -

We dropped into this desert mining Camp yesterday to have horses and mules shod, buy provisions, and pick up mail, in which I find yours of the 26th Jany with Mr. Phillips most interesting lecture, which I am now reading. You will pardon this paper and pencil, all I have, as we are "bumming", frontier fashion. Many thanks for your thoughtfulness. Those inside your great Bank little realize the veneration in which it is held abroad, nor indeed how many quaint and interesting customs and traditions attract attention from those who have the good fortune to know you as I do.

I wish my Sec'y were here to take down an account of our trip, its adventures and misadventures, but later I shall send you some photos if we ever reach a place where they can be developed and printed. The party and outfit consists of Mr. Basil Mills, formerly in charge of Russian affairs in our State dept. - one Dean, "Mule Skinner" and cook, - a Pima Indian whose choice of names includes Frank Francisco Pancho Juan, a mule team and "chuck" or "grub" wagon, three cow ponies, a Russian Wolf Hound by name Peter, and your humble Servant. The Indian is horse wrangler and water locater, guide and interpreter as we are mostly among Pima, Maricopa and Papago Indians, who all speak much the same lingo.

You and Sir Brien would laugh yourselves sick could you see us when we arrived here, or in fact at any moment when we were en route. Dirty, sun tanned as black as Indians, clothes such as no self respecting person should wear, and not having been inside a house, much less a tub of water, for a couple of weeks. We sleep under the stars, spend four to six hours horseback, travel from 12 to 25 miles a day, eat like laboring men, shave once a week, breathe the most wonderful air, see the most gorgeous sun sets and generally live the lives of animals. The wonders of these western deserts are endless, but woe betide he who misses waterhole, tank or well. We ran a bit short of water one day and the horses had poor grazing, so they promptly started back to the nearest water as soon as our backs were turned that night. Juan recovered them after a chase.

In a few days we go South West into Old Mexico to try & get a mountain sheep, and into a wonderful country of extinct volcanoes, then work back north to Phoenix Ariz, where we shall take train for San Francisco about Apr.5th. I wish I had the gift to describe the wonders and beauties of this wild west of ours, but I shall tell you of it in London some time this year.

My warmest regards to you and to Sir Brien and my good friends in the Bank -

Very sincerely yours

Benj Strong

R^d Michig.

as he leaves Tucson on Apr 6? this
cannot be answered -

Ajo, Arizona.

Dec 1st 1920

My dear Norman -

We dropped into this
desert mining Camp yesterday
to have horses and mules shod,
buy provisions, and pick up
mail, in which I find yours
of the 26th Jan with Mr.

Phillips most interesting lecture,
which I am now reading. You
will pardon this paper and
pencil, all I have, as we
are "bumming," frontier
fashion. Many thanks for
your thoughtfulness. Love
inside your great Paul

little realize the veneration in
which it is held abroad, not
indeed how many quaint and
interesting customs and
traditions attract attention
from those who have the
good fortune to know you
as I do.

I wish my Lee's were here
to take down an account of
our trip, its adventures and
misadventures, but later I
shall send you some photos
if we ever reach a place
where they can be developed
and printed. The party and
outfit consists of Mr. Paul

Julio, formerly in charge of
Russian affairs in our State
DEPT. - one Dean, "mule skinner"
and cook, - a Pima Indian
whose choice of names in-
cludes Frank Francisco Paicho
Jern, a mule team and
"couch" or "quib" wagon,
three Cow Ponies, a Russian
Wolf Hound by name Peter,
and now a humble servant.
The Indian is horse wrangler
and water locator, guide and
interpreter as we are mostly
among Pima, Maricopa and
Papago Indians, who all
speak much the same lingo.

Now and Sir Brian would
laugh themselves sick could
you see us when we arrive
here, or in fact at any
moment when we were
en route. Dirty, Sun tanned
as black as Indians, clothes
such as no self respecting
person should wear, and not
having been inside a house
much less a tub of water
for a couple of weeks.
Sleep under the stars, skin
four to five hours horse
travel from 12 to 25 miles
a day, eat like laboring
men, shave once a week.

Breathe the most wonderful
air, see the most gorgeous
Sun sets and generally live
the lives of animals. The
wonders of these Western deserts
are Endless, but we betide
he who misses waterhole,
tank or well. We ran a
bit short of water one day
and the horses had poor
grazing, so they promptly
started back to the nearest
water as soon as our backs
were turned that night. Juan
recovered them after a chase.

In a few days we go
South West into Old Mexico

to buy & get a Mountain
Sheep, and into a wonderful
Country of Extinct Volcanos,
then work back north to
Phoenix Ariz, where we
shall take train for San
Francisco about Apr. 5th.
I wish I had the gift to describe
the wonders and beauties of
this wild West of ours, but I
shall tell you of it in London
some time this year.

My warmest regards to you
and to Sir Percin and my good
friends in the Bank.

Very sincerely yours
Benj. Strong.

84 A

FEDERAL RESERVE BANK
OF NEW YORK

X

March 25, 1920.

My dear Mr. Norman:

In accordance with the desire expressed by you, to obtain some of the best literature on American financial subjects, I take pleasure in forwarding to you, under separate cover, material on the Federal Reserve System, as well as books on finance in the United States.

Several of the books on the Federal Reserve System are now out of date, as amendments to the Federal Reserve Act have altered its workings, and certain statements made in those books have now only an historical value.

We are making an effort to get together a complete set of the Bulletin issued by the Federal Reserve Board. If we are successful, it will be sent to you later.

We are very glad to render you this service.

Very truly yours,

Benj. Strong
Governor

Montagu C. Norman, Esq.,
Governor, Bank of England,
London, England.

P.S. Signed by Governor's secretary due to absence.

Phoenix, Arizona, March 30, 1920.

Mr. Montagu C. Norman,
c/o Bank of England,
London, E.C. England

My dear Norman:

Our extended camping trip on which we started the first week in February, and which took us into Old Mexico within a few miles of the Gulf of California, was only concluded when we reached Phoenix this week, and until now I have been unable to acknowledge your note of January 26th and about a bushel more mail, which had accumulated during our absence.

Mr. Phillips' lecture is exceedingly interesting and contains just the sort of unusual detail which is little known, and which appeals strongly to the imagination of American readers and I know that the editors of our bank magazine will be delighted with the material which I understand they are at liberty to use.

Were it possible, I would send you an account of our many interesting and amusing experiences during the past two months, but that must keep until I see you in London next winter. In the meantime, I shall send you some kodak pictures which we took, from which you can gather some idea of the country and of what we were doing.

From the few newspapers I have seen, it appears that matters abroad on the continent and likewise with us at home, have been going rather from bad to worse. Certainly the world seems up side down, and as I wrote Sir William Tyrrell, it would appear that some of our important men are making that the excuse for trying to stand on their heads, the only justification being the natural desire to get what little brains they have into the position that nature may have intended them to occupy. I am thoroughly disgusted with the performances of our senate, and more especially since reading the resolution of sympathy adopted for the comfort of those of your Irish relations who have seen fit to adopt our country as their home and bring their troubles with them.

I am writing Sir Brien separately in regard to one or two bank matters, although by now I gather that you occupy his chair and are carrying his burdens. The letter is quite personal, and I am not sending a copy to the bank, from which it only has been or shortly will be sent.

With kindest regards,

Yours,

1920

COPY OF TELEGRAM
SENT IN CIPHER

dictated by

time

Dec 10, 1920

18 Words

VIA W U

COPY FOR WIRE TRANSFER DIVISION

Bank of England

London.

Governor Strong now in Paris cable address Harjes until December 14th
expects to leave Paris about December 15th for Brussels Amsterdam
London sailing for home end December

Federal Reserve Bank