

STRONG PAPERS, Norman to Strong, 1916 - 1920

1916

Jan. 6  
Mar. 14  
June 21  
July 24  
Sept. 22  
Dec. 29 C

1917

Feb. 23  
Mar. 5  
Apr. 26  
June 12  
Aug. 9  
Oct. 22

1918

Oct. 22  
Dec. 11  
Dec. 31

1919

Jan. 4 with clipping  
June 3 C  
June 5  
June 24 C  
Aug. 22  
Aug. 28  
Aug. 29  
Oct. 21  
Nov. 6

1920

Jan. 5  
Jan. 15  
Jan. 16  
Jan. 26  
Mar. 15  
May 26  
Dec. 3  
Dec. 22 C  
Dec. 23 C  
Dec. 29 C

*Sept 6 to Jay (copy)*

C- cable

MEMORANDUM

6th January, 1916.

(re Mr. Strong's letter of December 10th, 1915) *To James B. ...*  
*by Mr. Montagu Norman, of Bk. of England.*

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Probably no one person could adequately supply Mr. Strong's requirements in writing, but since answers to his questions will doubtless be received from several sources, I am glad to make a contribution which, when read in conjunction with others, may prove helpful.

Before proceeding towards this specific object, I must make certain general explanations, viz.

The Discount Market, as Mr. Strong well knows, is the neck of the bottle through which the great majority of the Bills under consideration have had to pass. The Bills are received through Foreign and Colonial Banks, Merchant Houses and other channels, whose main object is to dispose of as wide a class of Bill as possible, and who at certain times may sell direct to the Bank of England, Banks or other buyers. The Bills in normal times are either sold by the Discount Market to the Clearing, Foreign or other Bill-buying Banks, Houses and others, whose main object is to buy the best class of Bill for their money; or are used as collateral for short loans etc., where the lender similarly expects the best class of Bill.

For my present purpose, I allude to

- a) Clean Bills, i.e. they were either drawn as such or their relative documents were detached on acceptance.
- b) Bills drawn in sterling - at not exceeding 6, or usually

3 months - upon acceptors domiciled in this country, and by them made payable in London.

c) In speaking of the Bank of England, Bills bearing two first-class English names, one of which must be the acceptor - the other of which is often the actual seller.

I may now proceed to a consideration of the occasional pressure which has been felt by the Discount Market, owing to its being 'the neck of the bottle', with a view of showing later how this pressure operates against Finance Bills because they are less desirable than Commercial Bills.

The Clearing and other Bill-buying Banks etc. (mentioned above) only buy Bills when the rates, the state of their balances, commitments etc. make such operation convenient, and at times they may confine their purchases from the Discount Market to Bills having either a long or alternatively a short period to run to maturity, or may then stop purchases altogether.

From this it follows that the Discount Market cannot uninterruptedly thus sell Bills (or borrow against Bills) to cover its continuing requirements, but on the contrary expects at certain or uncertain intervals to find the demand for Bills curtailed or withdrawn, perhaps with little or no warning.

Hence the main cause which brings Bills to the Bank of England and the importance of the position occupied by the Bank of England towards the Discount Market. This is emphasized by the fact that (at least in London) the Bank of England does not in normal times make any attempt to buy Bills, but awaiting the moment when Bills

are thus offered (because there is then no other outlet) receives them whether by way of collateral or sale, only upon terms and conditions which are sometimes considered rigid.

Furthermore, it has for this reason been rightly recognised as prudent, if not necessary, for the Discount Market to hold such an amount of its Total Bills in the form of Bills certain to be approved at all times and without discrimination by the Bank of England, as will enable this outlet to be used (say in a panic) up to whatever extent may be necessary for the convenience or security of the Discount Market. The remainder of its Bills are of course subject to the discretion and inclination of the holder.

Having thus cleared the ground, I come to Mr. Strong's questions, which for the sake of clearness I have ventured to rearrange, while practically retaining his own words, and I couple them in each case with a bald answer.

QUESTION: Do the Discount Market and the Bank of England distinguish between "Bills drawn for financing" and "Bills drawn for commercial purposes" according to a fixed rule or according to a general understanding (as to what Bills are in the last resort always available for discount at the Bank of England)?

ANSWER: According to a general understanding (subject, of course, to a, b and c above).

QUESTION: Do the Discount Market and the Bank of England discriminate against Bills which are in the form of Finance Bills, or owing to general knowledge of the improper purpose (speculative ventures or financing corporations) for which such Bills are drawn?

ANSWER: Not usually, but occasionally against Finance Bills as such.

But I consider that at all times preference has been given in the Discount Market to a Commercial Bill as against a Finance Bill - while I believe that certain regular Bill-buyers have always declined to take obvious Finance Bills.

In regard to these answers I do not attempt to differentiate between the practice of the Discount Market and the requirements of the Bank of England because (for the reasons stated above) it has been the general custom of the former to keep a large proportion of its total holdings in Bills which meet these requirements, and it is only with these Bills that we are concerned

Nor need I attempt to define a Finance Bill, which is outside the object of this memorandum. But, even if too strict for practical purposes, I should personally consider the following might serve inversely as a rough guide: that a Commercial Bill is such as in the ordinary course of business is intended to be duly repaid from the bonafide proceeds of whatever shipment or transaction (usually in Commodities) it was drawn to initiate. The leniency or severity with which Bills are scrutinised must depend on the individual desire to reject or to include those which may in any case be classed on the border line.

I may, however, remark that by long custom the Bank of England at times of pressure may purchase (or make loans against) Bills from general customers, i.e. certain Banks, Merchant Houses and others upon easier terms and conditions than from the Discount Market, and without discrimination provided a, b and c are observed.

But having shown that the practice of the Discount Market has been such as harmonised in the main with the requirements of the Bank of England, and that the Discount Market only took Bills to the Bank of England when other and normal channels were temporarily closed, I need only suggest that in times of stress or possible overtrading, the obvious and general practice of all buyers has been to discriminate against the less desirable Finance Bill in favour of the more desirable Commercial Bill.

The fear of such discrimination has frequently been indirectly effective, but within my memory, though very rarely, resort has been had to direct action by the Bank of England.

In attempting thus to outline the general custom which seems to me to have governed the negotiability of various classes of Bills in London, I have of course purposely avoided any attempt to dogmatise on the dividing line between those classes. The fact that this dividing line has been defined by tradition rather than by words has contributed, I should maintain, in no small degree to its success when considered over a number of years. Its elasticity and even uncertainty have allowed to a wonderful extent a constantly shifting basis for the approval of Bills (by the Bank of England) which has been modified from week to week, or month to month, to suit the particular needs <sup>or dangers</sup> of the moment. From which it may be argued that the shadow or fear of the "big stick" is apt to be more effective than its definition in black and white.

131

Bank of England

14th March, 1916.

Dear Mr. Strong,

I returned to London last evening to find your note awaiting me and am sorry I did not chance to find you at your hotel this morning.

You do not mention your plans and I fear to wait long without seeing you lest you should slip away: so may I take the bull by the horns and suggest you should share a small and solitary dinner at my house either Wednesday, Thursday or Saturday this week at 8 o'clock?

If none of these suit please tell me your plans for the next week or so, and I will make another suggestion.

*Yrs very truly*

*Mitman.*

BENJAMIN STRONG JUNR. ESQ.,  
RITZ HOTEL,  
W.

*Thorp Lodge  
Camden Hill. W*

COPY

10th June, 1916.

Private and Confidential

My Dear Mr.Strong,

The Bank about which you enquire came from a bad stock and in the public estimation has always suffered accordingly. Add to this that it has seemed almost too progressive or extended, even if not speculative, and you have the worse side of my answer.

On the other hand the Bank has made a deal of money and has a good business. Its Bills would be readily taken along with others. If sold alone a higher rate would be asked and the amount thus restricted.

On the market its name ranks behind those of our other three South American Banks, but, (apart from the War) I should certainly consider the name intrinsically safe.

The Governor is away on a short vacation, where he is no doubt digesting your recent letter to him. The Deputy Governor sends you his greetings and so do I - and I look forward to our meeting again before long.

I am, Yours very truly,

(Sigd) M.C.Norman

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

Anglo-South American Bank

\*

10th June, 1913.

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I am, Yours very truly,

BENJAMIN STRONG, ESQ.,  
FEDERAL RESERVE BANK OF  
NEW YORK,  
NEW YORK.

(sig'd) M. P. Norman

*Anglo-South American Bank*

Bank of England

21st June, 1916.

Personal.

My dear Strong,

I received - and we have read - with much pleasure your letter of June 1st. Your statement shows your general expansion of business to have been phenomenal: yet it still goes on. But I understand you now to anticipate some effect on money conditions from the moving of the Cotton and other crops?

I hope the Deputy Governor's recent letter may form the basis of an arrangement on the lines we discussed here. Time alone can decide when such a plan may become actual, and meanwhile it is satisfactory that you are able so quietly to straighten out your legal quibbles and difficulties. The Reserve Banks seem to be the darlings of Washington!! Why is it?

On our side threatened taxation has made the way easier for our foreign payments, and even more, it stimulated the patriotism of those who hold American Securities: so much so that latterly the stream has been almost too great for easy handling. No one quite knows

what

what measures may be taken to prolong or enlarge this stream, or how long it may continue; but I hope that by the time it - or similar operations - comes to an end the state of the War (already veering in the right direction) may be such as to make our foreign financing a good deal easier than it has been.

To express an opinion on this point - so far as the U.S.A. are concerned - would be to unravel the course of your politics for the next six months and to foresee Carranza's intentions. And the latter are almost as obscure as a reported alliance between the Republican and German-American parties!"

I am sorry not to be able to tell you of a reduction in our unfunded debt: for you used to comment on its size even when you were here. All I can say is that it must long since have passed any danger-point that exists. The Government is now selling Securities in one form or another to run from three months to 5 years, for the immediate needs of the War, but I have no idea when it may be possible to introduce any general funding scheme.

Thus, both for domestic and foreign expenditure, we are perhaps living from hand to mouth, hoping as it seems that the double effects of armies and blockade may  
bring

bring us soon into a position of clearer vision.

The Deputy Governor joins me in sending you  
all sorts of kindly remembrances.

Yours sincerely,

William

Recd by Mr. Zeehan  
and sp. J. J. [unclear]

BENJAMIN STRONG, ESQ.,

FEDERAL RESERVE BANK OF NEW YORK,

NEW YORK, U.S.A.

*Personal.*

BANK OF ENGLAND.

24th July, 1916.

My dear Strong,

We are much distressed to hear from your letter of June 28th, that you are again on the sick list and forced to take a long rest. But there is nothing for a wise man to do in such a case but to obey Doctor's orders and I am glad you are taking the bull by the horns and going away at once. Strangely enough, it is only a week or two since Grenfell woke up with an attack of grippe, and to his disgust is now away for a month's cure: I fear a month won't set you up but hope the cure will be as complete.

Here things have not changed much since your visit, beyond the advance in the Bank rate a couple of weeks ago. There was at that time a flurry in your market, which gave us a good reason for doing what must have been done sooner or later, and what was far better done too soon than too late. The effect has been satisfactory; the Exchanges have been steadier and we have the feeling of being in an improved position.

Our stream of American Securities has been wonderfully long, and has not yet needed to be helped out by Neutrals or others; indeed before the end of the year some simpler plan may be possible? ~~It~~ It seems to me that if you would only give up politics and elections you would surely see fit now to allow us a little credit on all the Stuff we are buying from you! Not even a storekeeper anywhere would insist on cash down from his best Customer, just because the Customer happened to be mixed up in a row with hooligans! Please see what can be fixed up in Colorado, they may be larger-hearted than in New York!!

Your rates in New York have gone to nothing again since the flurry I spoke of above - which reminds me of a point or two upon which you might enlighten us. The Federal Reserve rate of discount

is (I believe)  $4\frac{1}{2}\%$  for a certain class of Bill - whereas the outside rate is  $2\frac{1}{2}\%$ . At the same time the rate for Time Loans is  $5\%$  or thereabouts. Why do not the two latter tend to approximate since I think the  $2\frac{1}{2}\%$  is the rate for any good Bill (not only strictly Commercial). Next - A deal of gold has been poured into New York for some time past. It might have been expected to show in the National Bank returns - but does it? It doesn't seem to show anywhere, or even to have as much effect as one might have supposed. Does it all go to the Federal Reserve Bank, only to emerge on some future rainy day: and if so, how does it get there? And does the Federal Reserve Bank pay out against its Currency Bills as opposed to Gold Certificates.

I shall bear in mind the names of the gentlemen who would attend to our matter during your absence, but, with elections on one side and war on the other, they are not likely to be troubled. But on the whole things are moving our way on all sides, and I have no doubt the German shoe is beginning to pinch - as indeed one may guess from the strange mixture of Kuhn Loeb & Co., and a French Loan! (on the analogy of coming events casting their shadow before).

The Governor sends you all sorts of messages, and is, I am glad to say, wonderfully well. Above all else we want to hear that you are well again, and until then that you are lying low.

Yours sincerely,

*William*

*The Dep: having just come in, has read this, & inserts on my adding his most kindly wishes for your health.*

BENJAMIN STRONG ESQ.,

FEDERAL RESERVE BANK OF NEW YORK,

U.S.A.

Bank of England

Sept 22. 16.

My dear Strong

It's time for an answer to your letters of July 24th and August 8th: indeed, you may think that it's already past the time, which I should admit but that the former arrived just as I was going for a vacation while the latter only reached me when I came back!

I am afraid you must be eating your heart out, away in Colorado and only hope that your little office will be a solace to your spirits without being a detriment to your health. If I could come across the Elixir of Life you should soon have enough of it to set you up for good and all!!

Of the reasons you give for the disappearance or non-appearance of gold, I should think that Nos. 3 and 7 outweighed the remainder. The 4th I cannot place and the 5th I don't understand. But the position seems curious to the extent that (I believe) Federal Reserve Notes do not count as Reserves for National Banks, but do so for State Banks and other institutions

institutions. And I gather from page 4 that the object of the amendments in Washington is to facilitate the issue of Federal Reserve Notes against gold alone, with the idea of re-issuing them (when times get difficult) against paper and gold combined in the legal proportion (100 and 40 I think). I saw an article in the "Chronicle" on this subject a few weeks ago, but was not much the wiser for reading it. I presume that these Notes would be secured like Gold Certificates, which (among other forms of currency) are thus doubtless to be replaced some day: meanwhile the expense of such operations would fall solely on the Federal Reserve Banks.

Your explanation of the various rates for Loans and commercial paper is clear enough and received with thanks:except of course the strange idea of creating liquid Bills in competition with certain friends abroad!!

The Deputy Governor is digesting your letter on the subject of our discussions here: it is at the moment rather a matter of detail, but neither of us must overlook the ultimate possibility that after a purchase of Bills (say in London), New York would have the right to lock up the corresponding value in gold,in London,at a moment's notice - which, in the event of war or panic, might perhaps

give

give us furiously to think. The idea of course is that the Exchanges would, since the purchase of the Bills, have so far risen as to allow the proceeds to be remitted by mail or cable to New York, or else that the Bills would be renewed pending such rise; but the possibility of war, etc., (based on recent experience) must not be ignored and might lead to the sudden desire for earmarked gold outweighing all other considerations. Do you see my meaning? In practice it's probably a question of amount.

There is not much news here and you know the state of the War better than we do. Our main concern is with the Exchanges, and of course our difficulties may at any time be increased by the inability or unwillingness of your public to take paper (secured against Neutral securities or in any other form) commensurate with our purchases from your producers and manufacturers. Perhaps the former have either got to come to taking the paper, or purchases from the latter must be curtailed, which is not good for either side.

Your suspicions based on past history about the unfunded debt are sound enough. On the other hand the danger from Treasury Bills is almost as great -  
practically

practically speaking - with their total at 100 as at 1,000 millions: so the danger point is long past. Further, a large amount of these Bills are intended (and must be used) for the payment of accruing taxation; another large amount belongs to Government Departments, or to Indian and such Governments, and yet another to Bankers or to Discount Houses. So that the proportion which counts effectively, and which is in the hands of foreigners or people here who can really use it as they please, is far from the total. Then the difficulties of such operation have to be considered: the correspondence and labour would be enough to swamp a staff already overworked.

Nevertheless the amount is too large for comfort - even though the money it represents must in one form or another go round and round in this tub - and a reduction would be welcome; the more so as it would tend to extinguish certain rights to convert into future War Loans, now held by subscribers to past War Issues. \*

With kind regards from all

Yrs sincerely

H. T. Arman

The French loan has been long pending & its issue  
 here must prevent any such operation at present.

# WESTERN UNION



# CABLEGRAM

THEO. N. VAIL, PRESIDENT

137

Received at

19D RH -80

LONDON 13

LCO BENJAMIN STRONG JUNIOR

319 CX

4100 MONTVIEW BOULEVARD DENVER (COLO)

ACCEPT SEASONS GREETINGS

MONTAGU NORMAN

DEC 29 351PM

Personal.

D.A.W.

MAR 27 1917

Bank of England

23rd February, 1917.

My dear Strong,

Let me acknowledge receipt of your letter of January 19th, but before attempting to answer it let me just say that your earlier letters about the arrival of Mr. Johnson and Mr. Brigham had such attention as, I believe, enabled your friends to land at Liverpool with comfort and consideration. In fact, Mr. Johnson, on his way through London, was good enough to call here and tell me what I have here repeated to you.

There is no occasion to say any more about the announcement of the Federal Reserve Board at Christmas time. We quite realise your position and its happening, and, knowing that mistakes may arise even in the best regulated families, the incident must be looked upon as closed.

Your letter, and that of the Federal Reserve Bank of New York to which you allude (dated January 18th), have been received and are having - even if slowly - the careful consideration which they and their contents merit. But, in view of the times and conditions in which we are living, these subjects are especially complex and, as it were, difficult of adjustment to the uncertainties of future requirements and

conditions

conditions. It is therefore all to the good that you hope to be here early in the summer and we shall surely look forward to your visit, partly for the pleasure it will give us and partly for the opportunity of discussing, and perhaps completing, the arrangements mentioned above.

Here everyone is hard worked - some perhaps are overworked - and even confidence in the end does not make the immediate outlook much clearer or easier. I was hardly surprised that whatever (temporary) view of the position of belligerents might be taken by the Federal Reserve Board, the Administration has found, in spite of great patience, that the position of so-called Neutrality cannot of itself be maintained indefinitely - there comes a breaking point. And a question naturally arises as to the future course of events. This we here might perhaps regard as academic, were it not for the fact that while your complete Neutrality offered certain varying opportunities of Trade and finance, once it ceases to be complete, the first results on your side seem to be a fixed determination to use an umbrella at once in case the rain should come in the future!

Please persuade your people to go on taking risks, to cast their bread upon the waters, even outside the jurisdiction of Washington and in spite of the clouds - which will surely roll away. If they don't unbutton their pockets they can't do business, any more than they can earn freights if they don't sail their ships! To write thus to you is, I well know, to preach to the converted, and this is merely letting off steam.

steam.

We are all delighted that your Doctor will soon turn you out again as good as new, and still more so that he will send you here to be overhauled (and even worried!).

With kindest regards, and omitting even apologies for my long silence because you can understand how it has come about,

I am,

Yours sincerely,

Mitroman

Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colorado.

Bank of England

5th March, 1917.

Confidential

My Dear Strong,

In order to avoid delay at your end I enclose for your personal information copy of a letter addressed to your Bank in New York, together with copy of Memorandum of March, 1916 as amended, for further consideration.

There does not seem to be much at variance now though there will no doubt still remain points to be cleared up.

Further and lest you should be ignorant of the views of your domestic Bankers, I enclose a cutting which gives an Extract from their Journal!!

With kind regards,

Yours sincerely,

*McManan.*

BENJAMIN . STRONG, ESQ.,  
4100, MONTVIEW BOULEVARD,  
DENVER,  
COLORADO.

*Edie Strong to Coaniff  
May 22, 1916, per memo 81916  
and as redrafted (Mar 2, 1917)*

*B.A. Fr.*

MAY 16 1917

Bank of England  
London, E.C. 2

*26<sup>th</sup> April 1917.*

My dear Strong,

Your letters of March 22nd and 27th and April 2nd reached me almost simultaneously and as your cable arrived after the Governor had sailed, we left him to answer it in person, which by now I hope he has had an opportunity of doing.

Needless to say we welcome you as an ally so greatly that the less I try to explain it the better!!

Now as to the points in your letter: you may be sure that we attached no importance to the taste of the writer in the A.B.A. journal in spreading himself!! I had my tongue in my cheek when I sent the cutting to you.

I am sure that nothing but good can result from your coming here in the summer, so be sure and arrange for a visit. As to just how and when, perhaps you will be able to talk to the Governor, but

write

write your dates and plan well in advance. The more we can all hob-nob together the better and however much your absence from New York may be felt, it will be a distinct gain directly to us here, and indirectly (I am sure) to them.

Regarding the revised memorandum just received from your people in New York, and subject to any arrangement that may be made in New York with the Governor, I have no doubt we shall agree to it formally next week. We quite see that the main basis of our transactions had better be gold, although it may be necessary to limit the extent of that commitment. Nor is there any objection to the memorandum becoming operative before the end of the War: but this fact (rather than waiting till after peace) while sentimentally an advantage, is in practice likely to limit the scope of any immediate <sup>Bill-</sup>operations thereunder, and applies as much to Paris as to London. You see that nowadays there are very few bills arising out of actual commercial transactions in existence: owing to scarcity of shipping, and of imports, to the many restrictions to world-wide trade and to payments by Government (the only large purchaser and shipper left anywhere) being made in cash, such

bills

bills are now comparatively seldom drawn. Even ignoring the preference for American names you could hardly buy a line (say £1,000,000) of them in London at current rates at any one time and I am sure you could not do so in Paris. Therefore I repeat that if and when the memorandum is put into effect its practical result for the time being may be small, except in so far as any sterling balance held on your account may be dealt with on an interest basis.

As to Paris, I expect you will find them a sticky and pernicketty crew to deal with!! They obviously will not be buying many bills in New York and I have already spoken of your difficulty in buying bills in Paris. The English-French Rate has been carefully maintained between 27 and 28 francs per pound for many months past, having lately fallen from well below the latter to just above the former, and while perhaps more likely to go down than up, I should doubt if it will be allowed to go below 27, unless the French Government is so generously treated in Washington that the effect is felt here.

The conditions thus set forth seem to prevent my now making any suggestions which could be of value to you in connection with either the English or

French

14

French accounts. Meanwhile I much hope this will all be discussed with the Governor in New York.

Now be sure and come along this summer, so that we may welcome you, as an ally as well as a friend, and with greetings from the Deputy,

I am,

Yours sincerely,

Albion

BENJAMIN STRONG, ESQ.,  
4100 MONTVIEW BOULEVARD,  
DENVER, COLORADO.

137

Bank of England

London, E.C. 2

12th June, 1917.

R.A.H.  
JUL 5 - 1917

My dear Strong,

I have before me four letters recently received from you, for which I have been and am very grateful - though I did not attempt to write to you as long as the Governor was on your side. He has now turned up looking very well, apparently much rested in spite of some strenuous days and thoroughly gratified by all the kindness he received from yourself and your countrymen.

To revert to your individual letters: those of the 19th April and 18th May call for no answer beyond a renewed assurance that, while the leaf you enclosed is pleasant reading, I found amusement rather than sting in the earlier article! As to your letter of the 10th May, I am only glad you have given your son a line to bring here and shall take it hardly if, for one reason or another, he never turns up. In any case be assured that we shall <sup>all</sup> do anything in the world we can for his father's son and sake.

Lastly

2

Lastly as to yours of the 16th May, only just received, I know well that you have now a deal of heavy work on hand, which must upset your plans, but I suggest that as soon as you are through with it, in part if not altogether, temporarily if not permanently, you cannot do better for your health, and perhaps even for your work, than come for a visit here.

The organisation of a Foreign <sup>Exch<sup>ce</sup></sup> Censorship is in its essence a difficult job - partly because of private interests and their differing standpoints, partly because of the ramifications and uncertainties of all such financial transactions, and largely because of the difficulty in getting such (and indeed any) technical Censorship actually handled. Primarily, I suppose, a Censorship in War time should be military, although no Government Department can be expected to look after the technicalities of any branch of trade or finance, and the best solution is likely to be found in one Government authority with adequate expert or technical advice. So far as the ramifications of transactions with neutrals are concerned, our Foreign Trade Department has, I believe, already sent out a man of <sup>M<sup>r</sup> Stevenson</sup> experience in that branch, who has probably found a

perch

perch in Washington. I have had no experience in the details of Censorship as such, though I have reason to know how conveniently technical advice may be given and used.

The Deputy Governor has realised throughout that in the suggestions made to you in recent cables we were going somewhat ahead of the agreement, as well as perhaps outside it - apart from the probability that your legislation ad hoc is not yet completed. But he thought that, being a separate transaction, on <sup>a</sup> purely a gold basis, you might care for the idea on its own merits, without regard to precedent or to the terms of the Agreement.

Personally I think the financial outlook between our two Countries seems satisfactory, though we must expect minor ups and downs while the necessary arrangements are being evolved. And just as we <sup>here</sup> have all along believed that the Paris-London rate must be kept at a reasonable figure for the benefit of all concerned, so I am persuaded that the New York- London rate must be similarly cared for. Any other course would be sentimentally as well as practically a feather in the German cap, which would surely affect the neutral as much as it would hearten the enemy.

4.

I do not know where this will find you, but if you should be in the Eastern vortex let me beg you personally to undertake too little rather than attempt too much work. The end is far off and as an ally I want to see your brains preserved for the long run rather than spent on the inevitable and almost overpowering difficulties of the early rush.

With our "impressing salutations" (as I am sure Monsieur Pallain always writes to you),

Yours sincerely,

*H. K. Roman.*

---

BENJAMIN STRONG, ESQ.,  
4100 MONTVIEW BOULEVARD,  
DENVER, COLORADO.

137

Bank of England

London, E.C.2.

9th August, 1917.

FILING DEPT.  
AUG 23 1917  
FEDERAL RESERVE BANK

B. A. H.  
AUG 27 1917

My dear Strong,

I am in receipt of your letter of the 2nd ultimo, and am pleased to be able to say that I have procured for you a set of the Posters of the War Savings Association and also of the £4:10% British Loan. There are no Posters of the <sup>5%</sup> Loan issued last January.

As there are a great number of these Posters, I shall be glad if you will let me know whether we should keep them here until you are in England or send them to you by post.

I am afraid that we cannot obtain a set of Irish Posters for a less sum than £30, as they are in the hands of a private Collector. *Shall I get them for you?*

Yours sincerely,

*DePannan.*

BENJAMIN STRONG, ESQ.,  
FEDERAL RESERVE BANK OF NEW YORK,  
NEW YORK.

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10th September, 1918.

My dear Mr. Strong,

In the absence of the Governor for a short holiday, I write to acknowledge the receipt of your letter to him of the 12th August.

We observe with much satisfaction that your negotiations with the Bank of France have now so far advanced that you have arrived at a tentative understanding to open reciprocal accounts, and, as desired, I have had much pleasure in forwarding to M. Pallain, for his confidential information, a copy of the Agreement dated 3rd May 1917 between the Federal Reserve Bank of New York and the Bank of England, and if and when you arrive at an Agreement with the Bank of France, we shall much appreciate the courtesy if we in turn may be allowed to have a copy.

With you, I sincerely hope that these preliminary steps may result in arrangements being made which will bear satisfactory fruit in closer international relationship so soon as more favourable conditions obtain.

Yours very truly,

(Sd.) M. NORMAN.

Benjamin Strong, Esq.

Personal.

R.A.W.

Bank of England

NOV 22 1918

~~22nd October, 1918.~~

My dear Strong,

Having learned that Mr. H. P. M. Rae, Managing Director of the Bombay Company, Ltd., of India, is planning a business trip to the United States, I write to say that I have ventured to give him a letter of introduction to yourself which will be sent out so as to reach him before he leaves India.

Will you have the kindness to give such help to Mr. Rae as he may have occasion to need, and let me say that, although I am not personally acquainted with him, he is a close associate of Messrs. Wallace Bros. & Co. of London, whose Senior Partner has been a Director here for very many years. The enterprise and position of that firm as well as of the Bombay Company are probably as well-known to you as to me.

I can hardly suppose that at the present time any general business is being conducted in your Country, but if the course of the War continues as we all hope it may, and as the successes of your troops seem to make certain, then a change in your business activities may develop at any moment and it is in view of this change in conditions that I understand Mr. Rae hopes to pay you a visit before long.

I take this opportunity of acknowledging

your

your letter of the 2nd instant, and of congratulating you on the results of the Loan, news of which has come to us since your letter was written. I am always afraid that you may be doing more work than your health can stand and so am inclined to hope that after this is disposed of you may be able to take a vacation.

The Governor wishes, as usual, to be most kindly remembered to you and we both regret that, as you suggest, we cannot <sup>now</sup> keep up a more regular and complete correspondence!

Yours sincerely,

W. P. Norman.

Benjamin Strong, Esq.

Personal.

BANK OF ENGLAND, LONDON, E. C.

11th December, 1918.

My dear Strong,

Your letter of the 22nd ultimo has been very much appreciated by myself as well as by my Colleagues who have been eager to read it. We are all glad to learn your present feelings, with which we have the greatest sympathy and we are glad, too, that you are now going off to take care of your health, only hoping that in the strenuous months which have passed you have suffered no overstrain.

The latter part of your letter tempts me to try and write at some length on the subjects you mention, and perhaps we here are more fearful of their eventual outcome. At the present moment we need not expect social or political disorders chiefly because we do not know what the Peace Conference and our pending election will bring forth. But here and throughout Europe there is undoubtedly a great body of persons who look forward at no distant date to such social and political changes as may very easily entail disorders. That I think is a fact which we must all recognise.

Our domestic conditions give us more misgivings on the financial side than yours need give you, and for such reasons as the following:- Our business has been much more disorganised by the War than yours and will therefore come round more slowly; our floating and unfunded debt is large and may be difficult to handle; our need of raw materials is great and immediate; our foreign debtors (as a whole) are good only in the long run, if at all; our debts abroad are large and do not tend to ease the exchange position. Meanwhile the need for fresh money both at home and abroad for enterprise and imports is growing insistent and will tend to compete with the Government's need, so that each is apt to force the pace against the other and to hamper the other's legitimate requirements.

Over and above these domestic considerations, a cloud of uncertain bulk is hovering in the shape of the Peace Conference

Conference.

There I agree with your second page in fearing some possible danger from economic strife. Opinions and forces which among the Allies were dormant or non-existent during the War are certainly showing themselves, and people are going back to the outlook which in normal times used to appear to them to be normal. On all sides our people admire your President and all that he has accomplished in the War, but they fear that perhaps his idealism may not square with the facts when looked at apart from the enthusiasm of the War; and it seems true that the only class among the European Allies from whom he is certain of support is the socialistic class, whence again springs some danger of the disorders mentioned at the beginning. Moreover your people (it is murmured) have not been bled for the War to the same extent as the Allies in Europe: they have not grown poor in order that once for all a lesson may be taught to Central Europe: they have made huge advances to the Allies for carrying on the War, but (it is said) those advances were no more than temporary contributions <sup>by the allies</sup> towards the democratisation of Central Europe, by whom they should eventually be repaid or to whom they should somehow be passed on: and perhaps (it is said) your people therefore do not make allowance for certain feelings of bitterness and competition which undoubtedly exist. I only wonder if they can be smothered at Versailles.

If on the top of all this we try to guess what is going to happen at Versailles we can only suspect that in order to make peace the President is apparently bent upon at least certain points which may rather contain the germs of strife. For instance:- No indemnities, though the Allies are grievously impoverished as I have said above; Freedom of the seas - of uncertain meaning but on its usual interpretation anathema to several of the Allies; a league of nations - perfect as an idealistic policy but, as some think, incapable of prompt adjustment to facts.

These points represent the views of the man in the street and, if they are at all true, we must indeed agree with  
you

you that the international future lies very much with those who are to meet at Versailles.

“ But whatever is to be the outcome, you are abundantly right in saying that the conditions which are soon to govern the world depend very much on the conditions which exist between our two countries. If it is to be economic peace, we between us can go a long way towards completing it and making it real: if, on the other hand, it is to approach economic strife, we, too, may perchance find a way to avoid it or at least to minimise it. In any case and whatever happens, let us stand together and hope for the best! ”

I shall show a copy of this letter to the Governor and others of my Colleagues, but you may be sure that, however much or little they agree with these views, all of us value our friendship with yourself and our connection with your Bank and are determined to cherish that friendship and that connection to the utmost.

Wishing you "health and happiness" for Christmas and the New Year,

Yours very sincerely,

*W. Roman.*

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Benjamin Strong, Esq.

PERSONAL

Bank of England

31st December, 1918.

My dear Strong,

Some days ago I received your letter of the 9th instant, giving details of Senator Owen's visit. Since then he has been here but, although we were able to secure his company for a few hours, his visit to this country was so short that it was not possible to show him such courtesy as we had intended. We will try and make up for this if he comes back to London next month.

I can quite suppose from what Senator Owen said while he was here that you and he are not in entire agreement on all points, but it is evident that he takes deep interest in banking subjects and wishes to master their details from all sides.

I have also received your letter of the 10th instant and am glad to send six more Interim Reports of the Committee on Currency and Foreign Exchanges. At the same time, I may as well take the opportunity of sending three of each of the following which have appeared subsequently, namely, the Report of the Gold Production Committee and of the Committee on Financial Facilities, in case you may find time to glance  
through

through them.

Let me take this opportunity of  
thanking you for the kindly greetings received from you  
at Christmas time, and with all good wishes for the New  
Year,

Believe me

Yours sincerely

*W. H. Orman,*

Benjamin Strong, Esq.

PERSONAL

Bank of England

4th January, 1919.

My dear Strong,

This is a perfect outrage! I guess you know your man and ours, but lest there should be any mistake I have underlined their names in the enclosed cutting.

The fact which I have to confess to your very private ear is that we can't compete. There is a certain type of individual who gets ahead of us every time. Now I really laid myself out to tickle your Senator: stood out in the rain with him while he was getting into a carriage, and even asked him to a quiet dinner (fit for gentlemen) before I had ever set eyes on him! This he refused because he was to be in France.

The next day I hear a yarn; a day later I read it. You must do the same. I do not know who paid for the announcement but hope you will be able to share my smile!!

Believe me

Yours sincerely,

*Hickman.*

Benjamin Strong, Esq.

Senator W. L. Owen, of Oklahoma, chairman of the United States Senate Committee on Banking and Currency, has been paying a short visit to London during the past week, and has had a busy time in discussing financial matters with his friends of pre-war days in business circles. Senator Owen, who was not only largely responsible for the passing of the Federal Reserve Banking Act just before the war, but has since had the gratification of seeing several improvements in it, then unsuccessfully advocated by him, incorporated as amendments, is recognized here, as well as in the United States, as one of the pillars of American financial statesmanship. On Thursday evening he was entertained at a dinner at the Savoy Hotel by Sir Edward Holden, who was supported by some of his principal colleagues in the direction of the London Joint City and Midland Bank, including Mr. McKenna and Mr. Darling, and among the other guests were Sir John Bradbury, Sir Robert Chalmers, and Mr. Keynes, of the Treasury, Sir George Paish, Mr. Hartley Withers, and the principal financial editors of the London Press. Replying to a toast in his honour, Senator Owen gave a very instructive account of the highly successful way in which the American Federal Reserve banking system has functioned during the war—a success which meets with increasing appreciation now in British banking circles, as greatly strengthening the case, in view of our after-war requirements, for certain reforms in our own currency system which have been prominently advocated of late years. Senator Owen looks forward to ever closer relations between the British and the American banks, but he makes no secret of his view that London must remain the world's money centre.

Copy  
Translation

# TELEGRAM

No. A 54008

19

Prepared by.....	Departments Interested
Checked by.....	
Code used.....	

To \_\_\_\_\_

TRANSLATION OF INCOMING CABLEGRAM.

JUNE 3, 1919. *File Clerk*

PZ 557 FK

LONDON 18

BENJAMIN STRONG,

FEDERAL RESERVE BANK,

NEW YORK.

*on file*  
YOURS MAY 2nd HAVE MADE NO SUMMER PLAN BUT AMERICAN VISIT MOST  
IMPROBABLE STOP AWAIT YOUR FURTHER VIEW.

MONTAGU NORMAN.

**LIBRARY**

JUN 3 1919

FEDERAL RESERVE BANK

*R.A.H.*  
JUN - 2 1919

(CABLEGRAM MUTILATED. 1st word Yours and 16th word Your doubtful)

Bank of England

5th June, 1919.

My dear Strong,

Your letters of the 2nd and 7th ultimo arrived a couple of days ago, and I can only say that we are all astounded at the organisation you can get and hold together for your Loans - even after the passing of the War fever itself. The bulletin you enclose and the posters which came separately are signs of forethought and work which we can and do admire, but cannot equal. No wonder your Loans were such successes.

If all goes smoothly we, too, are likely to be making such issues this summer, mainly for the purpose of clearing up some of the floating debt: so far the amount of fresh money needed for the year's outgoings is comparatively small, and may almost be ignored. But no one can say how soon unforeseen expenditure, and on a large scale, may not begin to come along, either for home or foreign purposes.

We here are perhaps too near Paris to be as immune as you seem to be from the uncertainties obtaining there: they cause continuous action and reaction not only on the minds of the public, but also on all who have to do with

the

the French or Italian Exchanges or the general question of exports.

You enquire as to my plans for the summer and, as suggested, I have sent you a cable to say that the idea of a visit to America has faded into the dim future. It remains however a plan which above all others I wish to carry out as soon as possible: for there is no vacation like a change of country: frequent contact is necessary if one is not to lose touch, especially amid these changing conditions, and I am drawn towards an old friend (Mr. Markoe of Philadelphia) on whom perhaps the years are telling more than I realise at a distance.

It is because of the work entailed here by these coming Loans and by the delays in Paris, &c., that I can make no plans for a vacation. The Governor was to have been away a month ago, but (more of course than myself) is prevented from moving - although happily he keeps wonderfully well especially when the sun shines, as it has done lately.

Generally speaking, we feel to be living on a bubble which may burst sooner or later - but can't last for ever. We are still hemmed in by War time restrictions as to rates of money and Stock dealings - added to  
which

which, an end has been enacted to our so-called gold market. The change from war to peace work is proving slow among the industries, which are hampered by the reduced buying power of foreigners and which are therefore the less able to reduce the amount and cost of unemployment. On the top of all this, we have rumblings of discontent among many sections of workers and an outright demand for the State to become the owner in certain cases - all arising to a great extent from a false idea of the prosperity resting on war credit.

Perhaps the most serious point from an international standpoint is the position and needs of the war-worn countries in Europe, as to which Mr. Vanderlip will have given you, as he did us, a very gloomy picture - coupled with a remedy so heroic as to be difficult of achievement. We here do not think that at this stage much can be done along these lines by private enterprise or credits: some scheme may be concocted in Paris, which with united and political support may well be on the heroic scale, but short of that it looks as if the needs of these countries - including currency and exchanges - must be treated by political rather than by financial measures. In other words, the states who wish to stimulate their manufacturers' exports must lend to the states who

who are to purchase on longer term than any exporter or  
Banker can afford.

Pray keep me closely informed as to  
your plans, and forgive the irregularity of my letters.

With kindest regards, *from the*  
*Governor & all of us,* Believe me

Yours sincerely,

*McKorman.*

Benjamin Strong, Esq.

FEDERAL RESERVE BANK  
OF NEW YORK

Translation of Incoming  
CABLEGRAM

Date June 24

From Montagu Norman  
London

LIBRARY

JUN 27 1919

FEDERAL RESERVE BANK

No. C 32

TRANSLATION OF INCOMING CABLEGRAM.

JUNE 24, 1919.

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LONDON 13

BENJAMIN STRONG,

FEDERAL RESERVE BANK,

NEW YORK.

DELIGHTED PRAY USE MY HOUSE AS YOUR HOME WHENEVER CONVENIENT.

MONTAGU NORMAN.

*Paris*

Bank of England

22nd August, 1919.

My dear Strong,

I have received your letter dated Paris the 16th instant, mentioning your sudden trip to Constantinople, now postponed, and yesterday I received your letter of the 19th instant confirming the telegrams exchanged by us.

I telegraphed you last night as follows -

"Received your letter 19th. Our representatives "have started for Brussels and Amsterdam. We are in "touch with Kent and await his completion of insurance "with Chubb before definitely arranging shipment. Shall "be happy when you so direct to transfer a portion when "held on your account to order of Bank of Spain".

from which you will have learnt that we have got into touch with Mr. Kent from whom we are in hourly expectation of hearing that he has completed the insurance through Chubb & Sons, and that our Representatives who have already left for Brussels and Amsterdam are free to move the gold. I hope that on our part there has been no avoidable delay in this connection, but telegrams certainly seem to take as long as ever between here and the Continent, and, if

the

the insurance is to be limited to comparatively small shipments, it will take a longish time to effect the transport of upwards of 22 millions sterling, of which sum 12 millions from Amsterdam is to be attended to promptly.

I note what you say about the possibility of a shipment to the Bank of Spain and as telegraphed yesterday the Bank of England will of course be willing to set aside out of the first arrivals from Brussels or Amsterdam any amount that you may direct to be forwarded to Madrid and to make all necessary arrangements for shipment and insurance if you so desire.

The Governor is away and, as you know, needs all the rest he can get.

It has been very hot indeed ever since you left us, but Mr. Stettinius, who was here last Friday, would have it that London was cooler than Paris!

I look forward to seeing you and hearing your news a month hence, when you will still find your card on the door.

With kindest regards,

Yours very sincerely,

*A. Hornan.*

Benjamin Strong, Esq.

*Be E*

Bank of England

28th August, 1919.

My dear Strong,

Thank you for your note of the 26th instant, from which I note that we may proceed with the shipment of gold as detailed in your letter of the 23rd August to the Governor.

It was no trouble at all to cancel the arrangements for the retention of \$10,000,000 in Brussels o/a Spain.

We shall look forward with pleasure to seeing you early in September.

I have seen Mr. Kent again to-day and have arranged with him to proceed to ship to London \$75,000,000 from Amsterdam and \$35,000,000 from Brussels. For the balance he still awaits further instructions from New York.

With kindest regards,

Yours sincerely,

*W. P. Morgan.*

Benjamin Strong, Esq.

Bank of England

29th August, 1919.

My dear Strong,

Thanks for your note of the 27th, which is interesting.

I had hoped that you would have come back here before this and that we should have been sitting in the garden together.

A remark you made the other day led me to think that you may be coming back next week and I just want to warn you that for the first half of September Thorpe Lodge has to be demobilised for household reasons.

I may be able to go right away for a week or so, but, in any case, I shall not be able to be living there until about the 15th of the month. I shall Expect  
*You there later.*

Yours sincerely,

McKorman.

Benjamin Strong, Esq.

Bank of England

21st October, 1919.

My dear Strong,

It was kindly of you to write to me on the 1st instant while you still had your "nose to the wheel" in Washington, without a moment in which to turn round since landing.

Nothing much has happened here since you left except that, as you will have seen, we were all tied up with a railway strike (and the people took it doggedly, good-naturedly and grandly). Money and bill rates have gone up, as with greater advantage they might well have done long ago. We have some hopes of getting them yet higher before the end of the year. Politically the position is almost more complicated than ever but may be somewhat cleared up with the meeting of Parliament about to take place. For while the railway strike has been serious and other strikes are continually threatened, or in being, so that production is all the time diminished, there is a great and growing public demand for economy which it is obviously easier to advocate than to carry out. But the mere fact of recognising the financial difficulties is quite a step in the right direction

as

as compared with the general apathy when you were here.

Now I come to the real reason for this letter. See the "Economist" of October 18th, page 626, for distinct signs of growth in the Federal Reserve seed which you sowed when in this country.

With kindest regards,

Yours sincerely,

Al Korman.

Benjamin Strong, Esq.

+ P.S. "Lucky strikes" are still so severely rationed here that you can't get any at the shops.

B.S. Personal File

BA  
DEC - 4 1919 Bank of England

6th November, 1919.

My dear Strong,

Many thanks for your two letters of the 20th and 21st ultimo.

I certainly thought that the "Morning Post" interview was inspired by yourself, as the general opinions as well as the place seemed to tally with your views and movements. I cannot trace the other article which you say has been quoted in Paris.

I had some talk with Hartley Withers a few days after I had mentioned <sup>to you</sup> the reference in the "Economist" to the Federal Reserve system, and I took the opportunity to explain to him how you had been tied up in Washington.

I note that you are going to have a Conference in Washington on the 12th instant, after which you expect some rise in rates of discount. This has, to some extent, already been foreshadowed in the increase in the rate of your loans to Member Banks, etc., the news of which was cabled to us this morning.

Since you left here our general position has not altered to any great extent. There was, as you will have seen, an increase in the rates for Treasury Bills about a month

month ago and about the same time the special rate <sup>of 4½</sup> on foreign money deposited here was discontinued. The result has been sufficient to absorb slowly the Ways and Means Advances, but not enough to contract expansion. We have long been, as you know, anxious to move gradually towards considerably higher rates and the step above mentioned was in the right direction. To-day we have been able, with a very good reason, to raise the Bank Rate to 6% and the rate on Treasury Bills will follow at once to 5½%. The reason for the former, which with the concurrence of the Treasury has led to the latter, was the steady increase in the circulation of Bank Notes and Currency Notes, caused to some extent by covering part of the Currency Note expansion by a deposit of Bank Notes. The result of this has been to bring our Banking Reserve down to very little over £20,000,000 and it is really the decrease to that figure which has been the ostensible reason for the rise in the Bank Rate.

At the same time I cannot regard the certainty of sound money as definitely settled. On this subject the community, in so far as definite views are taken, may be divided into three groups: (1) the advocates of unadulterated sound money; (2) the advocates of expansion and the printing press, which to a considerable extent is the view held by many political leaders; and

and (3) the advocates of confiscation euphoniously called "Levy on Capital".

Politically, I cannot think the situation has improved in spite of apparent triumphs of the Government. For one thing and perhaps to some extent because the truth of the financial position as disclosed by the Chancellor in August was too strong and unpalatable, a "lump of toffee" was administered last week in the House of Commons. The upshot of this is that, given a normal year and no fresh expenditure, all will be well; but a normal year is as remote as a "blue moon" and meanwhile, with extraordinary expenditure, both ends cannot meet.

*Further,* A fresh demand for an issue of Premium Bonds has also grown up although a couple of years ago the question seemed to have been laid to rest by a Parliamentary Committee appointed ad hoc. We cannot believe that any such issue will produce a large amount of money. It is certainly opposed to the spirit of saving which the War Savings Committees have been trying to disseminate for some years past, and I should have thought that people in general needed a rest from further excitement or speculation of any kind.

On similar lines the Stock Exchange, who have already more business than they can easily deal with, are

bestirring

bestirring themselves to get rid of cash dealings (already a rule which is observed in the letter more than in the spirit) and are hankering after fortnightly settlements and freedom from restraint. From a domestic standpoint I can see some advantage in such a change because the position would be steadied by "bear" accounts whereas as things are every operator has been a potential "bull" for the last few years and (with the rise in values) has forgotten what it is to make a loss; but from the international position, and especially with the uncertainty which still hangs over European markets, I think we ought to go slow and give as little leeway as possible to the foreign operator.

Mr. Kent wrote the other day that you had kindly asked him to put a parcel of "Lucky Strike" cigarettes at my disposal. Pray accept my thanks. Your gift comes at a very opportune moment as I am arranging to go to the South of France for a rest in a fortnight's time, and while there I shall be fortunate to be thus supplied with tobacco.

The Governor is very well and, as he will no doubt read this letter before it goes, send you his greetings. I know that many of your friends here would do the same if they knew of the opportunity.

With very kind regards,

Yours sincerely,

*McVroman.*

Benjamin Strong, Esq.

Bank of England

London, E.C. 2

5th January, 1920.

My dear Strong,

Before I attempt to write to you on current matters there are one or two outstanding points to be cleared up, and this is what I shall try to do to-day.

First of all I have been reading the Club Magazine which you were good enough to send me as long ago as the 17th November. It is not only a creditable production but very interesting, and I wish we could find the initiative to do something of the same kind, for no doubt the initiative is latent somewhere amongst our numbers if we could only dig it out. I shall pass your copy round in the hope that it may produce the "grain of mustard seed" on this side.

Next, I not only received a parcel of "Lucky Strikes" on my return here last week but I had also had a similar parcel through the kindness of Mr. Kent. The latter were the greatest boon while I was in France where, as you know, you cannot even get "chopped hay" or "cabbage", much less tobacco in any smokeable form. You certainly have lived up to your promise like a man and, considering how pleasant  
and

and, I believe, harmless these cigarettes are, I am only surprised that they cannot be purchased in London. As a matter of fact it will amuse you to know that the first intimation received about the parcel which you sent here was a note from the Customs people to say that they had been forwarded by the wrong method and were in consequence confiscated!

I had a most delightful month in the South of France, where - except for a couple of days - the sun shone from morning till night. There were very few visitors and meat and drink of all kinds were abundant - quite contrary to what one reads in the newspapers. I came back last week, with many regrets, to dark, cold and wet-blanketty conditions, to which I am gradually trying to get accustomed. Happily I find the Governor as well as ever to all appearances both in mind and body, which is the more to his credit as the fall has provided more thorns than usual to his "bed of roses".

I shall write to you again in a few days, this being merely an attempt to get rid of some arrears, to repeat my thanks for the "Lucky Strikes", and to wish you over and over again a very happy and prosperous New Year.

Yours very sincerely,

*McDonnan*

Benjamin Strong, Esq.

Bank of England

London, E.C. 2

6th January, 1920.

My dear Strong,

I have been considering your letter of December 11th and if I were you I should be disposed first of all to give Ben an opportunity to learn the rudiments of business and generally to find his business feet in New York. Then I should send him to England and France for a couple of years or so, in whichever order suited your convenience best; and <sup>there</sup> I should choose a Merchant-Banking concern where he would at the outset get down to commodities and all their ramifications rather than to finance pure and simple, which no doubt would be his eventual object.

This you could arrange admirably through Frank Tiarks at Schröder's within such compass as is small enough to let Ben easily get the hang of all that is going on and large enough to show him many kinds of business in an adequate volume.

This is the concensus of opinion among one or two whom I have sounded privately on this general question and it is very much my own view, too.

With kindest regards

Yours very sincerely,

Benjamin Strong, Esq.

*H. P. Roman.*

Bank of England

London, E.C. 2

15th January, 1920.

My dear Strong,

We have been much interested in the papers and pictures which are mentioned in your letter of the 19th December and, while they have been treated as confidential, several of us have been trying to get the hang of the plans and drawings: some day we may be able to take a leaf out of your book behind your back! I wonder if the site, being so much longer than it is wide, from the point of view of appearance is not rather awkward to deal with; for if all the inside space is to be used right up to the frontage it may be difficult to avoid the semblance of monotony when looked at from the outside.

The second page of your letter is very distressing. No one but the Governor has read it but I told Blackett that there might be an opportunity of discussions with you here in April. I do indeed trust that if you pull up now and go right away there may be no further trouble; but from our personal standpoint it is a great blow that you should be going away from New York just at this time. Your recent rate increases have tended to take away some of the result which might otherwise have

have come to us from our own, but we forgive you for the sake of the enormous benefit to both sides from close and personal co-operation.

I am getting one of our old pensioners to put a lecture of his on Bank history into some sort of pamphlet form and this I will send to you in accordance with the hint in your letter of the 8th December.

We sent you a cable right away about poor Cunliffe's death, thinking that you would like to be the first to know it. You may not know that as from the 1st of this month he had amalgamated his firm with Fruhling & Goschen, an arrangement which would have been very happy for all of them. He was at their Offices on the 2nd (Friday) when the new concern was launched so to speak, and certainly was not well but he was not seriously ill until the Monday and he died early on the Tuesday morning. He is a great loss not only to us but to the whole community and never could a stalwart champion of sound money be so ill spared.

On the whole things look rather brighter than they did a couple of months ago. First; The cost of living, which was confidently expected to rise, was stationary during November and December: but it is thought doubtful whether it can remain where it is owing to the  
increasing

there is going to be real trouble, but it is difficult to give any reason.

Fifth: The rise in our rate which took place early in November is now becoming effective. Hitherto the Banks have been preaching cheap money as well as practising it in their rates (mostly in order to cut one another's throats). No doubt the demand for commercial advances has been enormous and the result on the Banks is that now they are loaned up to the hilt and in self-defence almost bound to put the rates up as well as to scale down their customers' requirements - all of which is healthy enough.

Sixth: The Currency Note circulation is contracting as well as could be expected and the Bank Note circulation inclines to do the same: but the latter position is obscured by the gradual addition to our figures of the Gold, hitherto held by the Banks.

The French Government's credit has gone to pieces in London, and when they offered £8,000,000 of their Treasury Bills for sale the other day the <sup>acceptable</sup> applications did not reach £1,500,000. I cannot see how they are going to get along and there is some danger that owing to political pressure credits may have to be opened for them and for other of the European countries which are simply going

increasing competition of the former enemy countries for limited supplies of food.

Second: The American Exchange, which might have been expected to become demoralised has fallen - as it was bound to do - but has never been demoralised.

Third: The Government indebtedness as a whole has perhaps now reached its apex. Next year it may be expected that extraordinary receipts from stores, &c., will more than cover extraordinary expenditure and that ordinary and increased receipts from taxation will more than cover normal expenditure: thus one may hope for some reduction of debt. For the rest of the year - I mean financial year - heavy taxation will be coming in which is expected to more than cover outgoings and somewhat to reduce Ways & Means advances and Treasury Bills. An issue of  $5\frac{3}{4}\%$  Exchequer Bills is to be made next week, but this is solely for the purpose of extending for a few years similar Bonds falling due this year and to avoid money for their repayment being provided by our book credits.

Fourth: The labour position has been obscure and uneasy all along and although the railway men seem at this moment to have come to terms with the Government there are threatenings in other quarters. Somehow I do not believe  
there

going to lead to further inflation with you and with us  
just as conditions are beginning to show a glimmer of  
improvement.

Hoping for a good and quick recovery  
and with kindest regards from the Governor and

Yours very sincerely,

*H. Norman*

Benjamin Strong, Esq.

Bank of England

London, E.C. 2

16th January, 1920.

My dear Strong,

One point occurs to me since writing to you yesterday. You have doubtless read Keynes' book. Possibly you have not seen the epigram on the book which has just appeared in Punch. It is so candid and yet so kindly as a summing up of many people's attitude towards Keynes' diatribe that I send it to you to paste in the cover of your copy!

Yours very sincerely,

W. Norman.

Benjamin Strong, Esq.

Ack 28/1/20 YB.

Bank of England

London, E.C. 2

26th January, 1920.

My dear Strong,

In your letter of the 8th December you asked me to send you an account of some of our traditions and peculiarities and the moment has now come when I can do so.

Long before your letter reached me I had often thought about a remark you made to me in the summer that we, as a body, were woefully ignorant of the Bank's history. Personally, I think history is a dull subject, but after what you said I decided to try and add to our knowledge by inducing an old gentleman who has devoted the last 15 years to the study of such antiquities to come and lecture to us.

This lecture has been printed and I am enclosing a couple of copies, which I hope may serve your purpose to some extent, and from time to time I will send you further information which we are collecting.

With kindest regards,

Yours very sincerely,

Mitman.

Benjamin Strong, Esq.

Bank of England

15th March, 1920.

My dear Strong,

It is nearly three weeks since I received your long letter written from Hot Springs, Arizona, and dated the 6th of last month.

There was a great deal in your letter which was interesting to us and a good deal to which I might reply if you were within touch, but, as you are leaving San Francisco for Japan on the 10th of next month, you will not receive this letter until May. By that time its contents would, in any case, be stale, and you will furthermore be engrossed in what you see and hear in the East.

So I am not writing to you on general matters of business or politics, but merely to say that I have given myself the pleasure of procuring for you such letters of introduction as seem likely best to serve your purpose. These are enclosed herewith, together with a list of their sequence. I need only add that what I have done has been to get you official letters throughout India through the Government of India, also to the Presidency

Banks

Banks (not yet merged as I believe), and lastly letters to a private individual in each place who is said to be the head of the local business community.

A personal letter to the Viceroy from his brother is added as an afterthought.

I have not gone further East than Java because you will no doubt be receiving other letters from Sir Charles Addis which will supply your needs there. But, as Addis is away for a month's holiday in Switzerland, I have not been able to consult with him on this point.

I very much hope that the letters now enclosed and those you will be receiving from other sources will be such as will obtain for you all the information you can want; the more so as I have taken care that in each instance the parties addressed shall be advised of the chief objects of your visit and your probable enquiries.

With kindest regards from the Governor and all of us.

Believe me

Yours very sincerely,

Richard Norman

Benjamin Strong, Esq.

Bank of England  
London, E.C. 2

26th May, 1920.

My dear Strong,

I have delayed answering your letter of the 25th March until the books which you were so kind as to have sent to me arrived. They reached here safely a fortnight ago. Needless to say I have not yet had time to examine them very thoroughly! But I have seen enough to realise that they will be a very valuable addition both to our means of information and to our general banking literature. The little volume by Professor Kemmerer to which you contribute a preface seems as good an introduction for a student of the Federal Reserve System as you said it would be. It was really most good of you to take such pains, and knowing of your absence I wish to express my thanks to your Secretary for the trouble he has taken on our behalf.

Believe me,

Yours very sincerely,

*W. R. Roman.*

Benjamin Strong, Esq.

Bank of England

3rd December, 1920.

My dear Strong,

I cabled last week to Mr. Jay to find out what had become of you and heard from him that you were due at Marseilles to-morrow. To-day comes your letter of 9th November from Delhi, for which I am grateful, as also for a few postcards and a number of photographs which have come along from time to time.

I shall not go into details of conditions in New York or here, much as I look forward to discussing them with you as soon as you come here: indeed, I and all of us have been waiting from week to week for a long time past for the moment to come when we can talk to you face to face. Meanwhile, as you may be sure, we have been trying not to lose touch with your friends in New York.

As to my own plans, I shall be here continuously - Sundays and holidays excepted - until the 31st of this month and on that day I hope to go to the South of France. The sooner you can arrive in London the better for us, but the date you must settle after you have had time to see whether you need to go to Brussels and

Amsterdam,

Amsterdam as you suggest. But whenever you do come to London let me remind you of your hotel, of which the address is "Thorpe Lodge, Campden Hill, W. E.". The Booking Clerk tells me that an hour's notice will be enough to get your room ready, or, if you are in a hurry, this can be done after you have arrived.

Above all things I hope that after your long trip you will find all your old troubles have been banished for ever and ever.

With kindest regards,

Yours very sincerely,

Alfred Roman.

Benjamin Strong, Esq.