

STRONG PAPERS, Norman to Strong, 1922
(List created 6/2004)

(Undated, pgs 3 – 5 (rec'd 1/22/1922 by
Governor's Secy))

February 6 (w/ January 27 letter & enclosure to
Norman from Victor Moll, Stockholm)

February 20 (w/ February 7 letter from Norman
to president of Banque Nationale Suisse)

February 23

February 24

February 25

February 27

(March 1 C)

March 2

March 6 (w/ February 6th extract from letter to
President Havenstein from Norman)

March 6 (w/ March 2nd & March 3rd letters to/
from Sir William Goode)

March 6

March 8

March 9 (w/ March 4 letter from Havenstein)

March 9

March 13

March 10

March 13

March 16

March 20

March 21

March 22

March 23

(March 27 C)

March 29

March 30 (w/ March 3rd letter from Paul M.

Warburg)

April 4

April 5

April 13

May 24

{May 31}

June 13

June 19

June 22

June 23 w/ clipping of June 21, 1822

June 23

June 28

July 5

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(July 8 C)

(July 14 C)

July 15

(July 20 C)

July 26

(July 26 C)

(August 2 C)

August 9

August 17

September 21

October 25

October 31

October 31

November 8 (w/ October 27 letter from Reginald

Hall to Norman)

November 27

Strong Papers Key for years 1922, 1927, 1928:

06/15/04

() = Document is in Papers but prior to now had not been photocopied and included in research binders

[] = At earlier date, item was listed as present but no original or copy is now in Papers

{ } = Photocopy exists but original is missing

if willing, should take a share in the task, together with some of the creditor countries. It is desirable that Germany should co-operate. Germany is, industrially, commercially and financially an important factor in Central and Eastern Europe.

Not only do her resources and her geographical position give her great importance, but she has in the past acquired knowledge and experience which are useful for the process of reconstruction.

The problem is to restore confidence and the credit machinery necessary for setting Central and Eastern Europe to work again. Governments cannot do this themselves, because apart from other reasons, credit operations require knowledge of the position and the character of possible borrowers, and only industrialists and financiers possess this knowledge.

It is proposed that an international association should be formed and registered as a corporation, and that a suitable proportion of the necessary capital initially fixed at £20,000,000 should be subscribed in each of the participating countries. These shares allotted to each country would be issued, in the first instance to the group formed in that country, but could be disposed of by them at least in part to the investing public. Each country's nationals would be entitled to representation in the Directorate in proportion approximately to its participation. There would be no government control. A small Anglo-French committee would be constituted in the first instance to make preliminary plans to draw up a programme of participation, and to negotiate with groups in the several countries designated, with a view to their taking a part in the formation in the central organisation.

The primary purpose of the corporation will be to undertake the organisation of transport and harbour facilities and enterprises associated therewith in such countries as comply with the conditions above stated and which desired the assistance

of the corporation. Rehabilitation of the transport systems will conduce to the free flow of trade and commerce and do more than any other thing to prepare the way for re-opening of private enterprise. There is, however, much more to be done. Old industries have to be revived and new means of employment found. The corporation will, at the same time, encourage private enterprise willing to engage in particular undertakings.

The participation of Germany in the corporation would incidentally afford a valuable opportunity for assisting in the payment of reparations. To take advantage of it, the German Government would itself take a proportion, say one half, of the German shares, and would be entitled to the dividends upon them. It would not be necessary to make an exception to the general principle of excluding all Government interference and control because the German privately held shares could be given double voting power in place of the votes which would normally attach to the Government shares. If the corporation were a success, the German Government should obtain a valuable source of revenue in foreign currencies in return for a comparatively moderate capital payment. The profits accruing on the shares of the German Government would automatically be applied to reparation payments.

Contracts for the supply of materials and for other purposes will in general be allotted to particular countries in proportion to the provision of capital for the corporation and its subsidiary undertakings.

There would be a great advantage in registering the corporation in some place which has a stable currency. It would be most convenient if registered in Great Britain if arrangements could be made for exemption or partial exemption from taxation.

These shares must all be subscribed on a newly formed basis of currency. It is proposed that the currency selected

should be sterling.

A preliminary sum of say, £10,000 in all, should be provided forthwith by subscriptions from the Governments of the countries agreeing to participate for the purpose of meeting the initial expenses of enquiry and investigation which will be necessary before further progress can be made.



referred to in letter of *Norman 2/6/22*
COPY.

Stockholm den 27th January 1922.

To the Governor of the Bank of England,
Mr. M. C. Norman.

Dear Sir,

Enclosed I have the pleasure of sending you a copy of an expression of opinion, given in Stockholm on the 12-13 November 1921 by a conference of delegates from the three Scandinavian central banks. To this declaration I beg to add the following remarks:

Since the document was issued, nothing has happened to alter the opinion of the said conference, viz. that the first step towards the successive re-establishment of the gold standard in Europe should be the re-establishing of the gold standard in England. As time goes on, it seems to become clearer and clearer that a return to the gold standard is the first and the most indispensable condition for the establishment of regulated economical relations in Europe. The clearer this becomes, the more pressing does it appear that England, by taking the said measure, would break the ice and open the way for the re-establishment of the gold standard. During the last few days a new factor has been added - the invitation to the conference in Genoa - which would seem to promote an English initiative towards a return to the gold standard. It seems to me as if the best possible starting point would be created for the conference, if England, for its part, had resumed the gold standard before the meeting of the conference. By this means a firm basis would be established for the labours of the conference and the conference would be relieved of endless, and probably resultless, discussions concerning the so-called monetary problem.

problem. The position of the different countries being constantly so extremely different as regards their monetary standards, there is little or no probability of the monetary problem being solved by the conference to any great extent. It is not here the question of one single problem, but of as many problems as there are states, taking part in the conference. Each one of these problems must be treated of, and solved, independently.

If England, for its own part, already before the beginning of the conference had cut this "Gordian knot", the labour of the conference would thereby be simplified, and that to a high degree.

If England returned to the gold standard, Sweden would be in a position to follow the example immediately, if Sweden was free to act independently as regards its monetary policy. But in consequence of the Scandinavian monetary convention, Sweden is dependent on Denmark and Norway. The economical position of these countries being actually considerably weaker than that of Sweden, it is to be feared, that the return of Sweden to the gold standard will be rendered more difficult and also delayed by its financial connection with Denmark and Norway. But if England, resolutely taking the initiative, breaks the imprisoning magic ring in which the monetary difficulties are actually holding the trade of the world, the whole of the so-called monetary problem would immediately assume such a perfectly new position, that the possibility would no longer be excluded of Sweden together with Denmark and Norway very soon being in a position to follow the example of England. I suppose I need not justify in more detail my troubling you with these reflections. The whole of Europe writhes under the terrible pressure of its monetary difficulties.

The only practicable road to the liberation of the world from this pressure leads through the re-establishment of

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the gold standard. The first step on this road should, self-evidently, be taken by England. And no man in England, I dare say, has so much influence as you in this matter.

Awaiting the favour of your kind communications, I remain, Dear Sir,

Yours very truly,

(Sd.) VICTOR MOLL

Chief Manager of the
Sveriges-Riksbank.

1116.3 (2) - February 20, 1922

Norman to Strong

Re Haverstein

CBC
If you will write to him now and then like a brother and tell him what he ought to do and think, and how he ought to keep his spirits up, you will be doing a great deal of good....

Re CBC

You will agree that without contact our two Banks will sooner or later drift apart.

CONFIDENTIAL.

ACKNOWLEDGED

FEB 18 1922

Bank of England
B. S.
London, E.C. 2

6th February, 1922.

My dear Strong,

I have not had occasion thus to write to you since the 30th December, and it may be worth while to try and pick up some of the threads.

1. As to Cannes, you are probably informed of what took place. In my letter of 23rd December I sent you an aide-memoire, which was really the basis on which the discussions at Cannes began, but the cash payments of 500,000,000 gold marks were raised by the Belgians to 720,000,000, and the likelihood of the Reparation payments during 1922 being made without further great disturbance in the German exchange faded away. An agreement was provisionally reached, however, which had certain advantages, although it was only for the year 1922, and which at least was a formal recognition by the Allied Governments that some modification was necessary. The provisional agreement had the further advantage that it would have contained a demand for the complete autonomy of the Reichsbank, which was a good alternative to the

appointment

appointment of a technical adviser. I think this demand for autonomy by the Allies would have been of great advantage to all Central Banks, and not only to the Reichsbank: it ought indeed to have strengthened the position of the Bank of France. But before the provisional agreement could be adopted Briand had fallen, and matters could not be carried any further. You can imagine the feelings of the Germans who had just arrived!

An arrangement for this year's Reparation payments is therefore in process of being made between the Commission and the German Government, and one of the results of this may be, as I hope it will, the autonomy of the Reichsbank. I have written to Havenstein to urge this on him. But the mark exchange is likely to suffer in any case.

There was only one morning at Cannes when everybody looked hopeful and happy: a rumour was going around that your Colonel H. had been damaged in a motor accident and people hurried out of the town to look at his corpse! But in a couple of days he was about again and everybody was again looking hopeless and dejected!

2. Another effect of Briand's fall will

be that the usefulness of the Conference at Genoa is very greatly reduced. I do not see what they can do. The "International Corporation", of which I sent you an outline in my letter of 30th December, is proceeding, but I do not think that the French, or your, Government, for that matter, will agree now to any helpful arrangements with the Soviet Government. Furthermore, the French will not permit any discussion of the German Reparation payments, and your representatives - even if they should go to Genoa - will not permit any discussion of Inter-Allied Debts. Indeed, I think it becomes increasingly clear that the French will not permanently readjust the amounts they hope to receive from Germany until they are satisfied on what basis their indebtedness to the United States is to be settled. This point was mentioned in my cable No.16 of 15th December, 2nd and 3rd paragraphs.

3. Austria. Refer to my cable No.13 of December 13th, 2nd paragraph. I want you, please, to answer this question. As I have told you, the British Government are considering an advance to Austria, probably on the security of the Tapestries, as no such advance could be obtained in the United States. I hope

the

the advance will be settled within the next few days, but there is strong objection to it on the part of those who consider that unemployment at home is more in need of assistance than distress in Eastern Europe. In any case, it is almost necessary that some comprehensive plan should be taken in hand during the next few months. There has been for months past a sort of understanding between yourselves, Vissering and ourselves, among others, that the rehabilitation of Austria should be taken up by a consortium of Central Banks after the passing of a Funding Bill to ^{permit} release of the Liens and you will remember that as long ago as last September you were to have received a letter from Hoover asking you to take steps in this direction. Can you do so in the near future? If not, I must consult with Vissering and see what can be done in Europe. Please send me a cable.

4. Rate Policy. The cables we have exchanged during the last few days leave a rather unsatisfactory prospect. I can quite see that for domestic reasons it is not possible for you now to move, although the results of your rate having been

below

below ours for the past few months has had, generally speaking, a very good effect, and in my opinion the strength of sterling exchange is in part to be attributed to this fact. But from our domestic standpoint, the position has very much changed in the last few weeks. Trade is requiring less and less money. There is therefore more and more for investment, and the Government finds it easier week by week to obtain all the money it needs at descending rates. The immediate position is complicated by two factors - firstly, as you know, we are now in the quarter when most of our taxation falls to be paid, which should normally supply the Government with ample funds and reduce those of the public; secondly, for the reason given above, the Government has been able to sell a large amount of 9-year Bonds, but is not at the moment able to use the proceeds for the redemption of Debt maturing next fall. There is therefore for the moment a glut of short money, and once this comes to be realised I think it will be difficult for our rate to be maintained. I shall be extremely sorry if we are forced to come down to your level.

It would look as if cooperation had broken down, but do not let us admit that it has done so. Rather let us admit that for domestic reasons on our side we are forced to go down first to your level, and that for domestic reasons on your side you will again go below us in the course of two or three months. This is really the meaning of your cable No.39.

5. Vissering had arranged to come over here about this time, but unfortunately he is ill, and I do not know when it will be possible for me to see him. I am afraid the Neutrals are building great hopes for Europe on the outcome of the Conference at Genoa. But even if this Conference is to be held - which now seems almost doubtful - they, and Vissering in particular, are bound to be greatly disappointed.

6. Riksbank. I have received a letter and enclosure, of which I send you copies, from Mr.Moll. You will agree that without free gold markets it is going to be next to impossible to reach stability, but I think you will also agree that for Great Britain at any rate to return to a free gold market before some reasonable settlement has been reached about ^{all} Inter-

Allied Debts after the passing of the Funding Bill in Washington, would be premature. There is an attractive innocence in Mr. Moll's hope that Great Britain will at once return to a free gold market, that he would like to do so but unfortunately is tied by the leg by his agreement with Denmark and Norway, and that therefore he begs us to go ahead while he looks on and watches the result. But in any case, his letter gives a good opportunity for establishing direct communication with the Riksbank, and considering how sound his views are said to be, I am only sorry to remember that he is dominated by political surroundings, to which allusion was made in my letter of the 7th November last.

With kindest regards,

Yours most sincerely,

H. Norman

ANS'D BY CABLE. DATE
ANS'D BY LETTER " 2/21/22
CONFIRMED "

RELATIVE CORRESPONDENCE
Cable # 48 2/17/22 (Strong's)

Benjamin Strong, Esq.

At a meeting, held on the 12 and 13 November, 1921, of the Board of Directors of the Bank of Sweden and representatives of the National Bank, Copenhagen, and of the Bank of Norway, it was determined to issue the following expression of opinion respecting the question of the stabilization of the international value of the currencies of the various countries:

For it to be possible to stabilize any value at all, it is necessary to have another value which is as stable as possible, in respect to which stabilization can take place; in other words, one must have a measure or standard of value which is as fixed as possible.

Previous to the late Great War, gold was the foundation on which the currency of every country with a gold standard was based. In all these countries gold was accepted as the measurer of value. In every country with a gold standard, the system of legal enactments by which the international value of gold had been determined and guarantees created for the maintenance of this value, was more or less completely abrogated after the outbreak of the war by the suspension of gold payments and prohibitions against the export of gold, etc. As a result of these measures, gold became an article of trade like any other class of goods, and, like these, became exposed to all kinds of fluctuations. The function of gold as a measurer of value was suspended and there no longer existed any fixed and common standard of value.

If it is to be at all possible to bring about a stabilization of the currency of a larger or smaller number of countries it is absolutely necessary to possess such a fixed standard of value. Theoretically speaking it is not necessary to give gold this character, for other measurers of value are imaginable. But until any better standard of value is proposed - which has not hitherto been done - there is nothing left than to restore gold to
its

its ancient position of value-measurer or, in other words, to once more make the gold-standard effective. But this does not, of course, signify, that every currency will thereupon reassume its ancient gold-parity.

It is for each individual country to decide when and at what gold-value this return to a gold standard can and ought to take place. Probably it would be fruitless to endeavour at present to bring about any comprehensive agreement with regard to the simultaneous re-establishment of a gold standard in a number of countries, for the position of the various countries, expressed in the international rates of exchange for each land's currency varies altogether too much. At the present moment no European country would hardly be willing to accept the existing rate of exchange in respect to the dollar as the basis of a reduction of the gold-parity of its own currency, for every country lives in hope of being able to improve its currency, nor, as a rule, is there any want of prospects of being able to do so.

The United States of America may be said to possess an effective gold standard. If, however, the importance of the gold standard as a means of creating stability in the transactions of the said country with abroad is to become effective in the desired direction, there must be some other country or countries also possessing a gold standard. Then, but not before, can a gold standard attain its full importance in the bringing about of real stability of rates of exchange between these different countries.

At present there is probably no country in Europe in a position to re-establish a gold standard without the co-operation of the U.S.A. The most natural order of things would be, we imagine, for the United States and England in common to take the first step to re-establishment of the gold standard, for there is hardly any other European country that is so eager as England to return to an effective gold standard.

When the first measures have been taken to escape from the existing value-difficulties by the resumption in England of an
effective

effective gold standard, no long time will probably elapse ere the example will be followed by other European countries, chiefly by those which, in respect to the monetary standing, occupy a comparatively advantageous position. The world would then once more possess a fixed standard measurer of value, and there would have thereby been called into existence the first and most indispensable condition for a successful issue to the struggle against currency-difficulties. Of course it would only be one stage on the way to the end: - the re-establishment of economic health, for of the many different causes that have co-operated to bring about the existing morbid condition of international economy and which still act together towards the continuance of this state some of the most important belong decisively to the sphere of international politics. These causes have arisen from the Great War and, at the present moment, are to be sought for, first and foremost, in the difficulties attendant on the payment of war-indemnities and the carrying out of other international debts resulting from the conflict, and also in the economic isolation of Russia. It will be the task of statesmen principally to take the measures necessary to remove these difficulties.

As long as not even England has stabilized the value of the pound in respect to the dollar, it is hardly probable that any of the Scandinavian countries will be able unassisted to stabilize the rates of exchange between its currency and the dollar.

Until a fixed starting-point, a fixed international standard measurer of value has been obtained, every little country should refrain from all experiments in the stabilization of its currency. Prematurely undertaken attempts at stabilization would simply lead to the risk of the country's uselessly exhausting its resources thereby weakening or adventuring the possibilities of stabilization when the proper time has arrived.

But even though we presuppose that the first step on the way to obtaining well-ordered rates of exchange should be an

Anglo-American

Anglo-American arrangement, other countries, however, should not remain apathetic, but should employ the interval in energetic endeavours to improve their own economic conditions both in home and foreign markets. Even if, in many instances, it may appear doubtful whether this work can be expected to lead, within a reasonable time, to a satisfactory result, and even if the end can first be reached after periods of time of varying duration - according to the special economical and social conditions existing in the various countries - still, the task must be pursued patiently and pertinaciously. That a sense of depression arising from apparently insurmountable obstacles will give rise to all manner of proposals for the solution of the monetary-problem, is all too natural. But care must be taken to refrain from endeavours to realize plans which are of such a character that, at best, can give but temporary alleviation but which, in the long run, will aggravate the economic disease and still further delay the period of convalescence.

Taken as a whole, the labour that has hitherto been expended on the removal of the difficulties produced by the economic revolutions of the wartime, has been directed towards the prevention of a fresh rise in the general price-index and to the promotion of a cautiously arranged fall in prices. Concerning the final object of all this work there still prevail extremely divergent opinions. Some desire a return to the pre-war price-level; others recommend measures leading to a rise in the price-index, while others, again, demand the stabilization of the existing or a closely related level. But even if it were at all imaginable that a formal resolution were come to, respecting the stabilization of a certain price-index, the adoption of such a resolution lies, in any case, beyond the domain of the central banks.

The means that chiefly draw our attention when mention

is

is made of the carrying out by the central bank of a country of measures of stabilization are a discount-policy. But all experience hitherto gained shows unequivocally that the ordinary rules governing the effectivity of alterations of the discount have been suspended to a greater or less degree from the beginning of the war until the present moment. It may be considered as certain that measures taken to carry out a discount policy - although, of course, they would possess some importance for the development of prices - would be helpless before the task of stabilizing the general price-index. Not before the rates of exchange of a number of different countries have been stabilized by the re-establishment of the gold standard, and not before the re-establishment of unobstructed international credit, will it be possible for discount-policy to regain its normal influence.

CONFIDENTIAL.

ACKNOWLEDGED

MAR 9 1922

Bank of England

London, E.C. 2

20th February, 1922.

My dear Strong,

Your long letter of the 2nd instant reached me a few days ago and I am glad to say puts an end to a long break. It also commits you definitely to taking care of yourself which of itself is worth a long letter.

1. Funding Bill. I was glad to hear that this had passed but your cable No.39 means that it will not be effective for some little time yet.

2. Havenstein. I am glad you are in touch with him and only sorry that the dangers of politics and publicity which surround you and which of course are perfectly obvious to us here prevent your extending much help to him at present. After reading your cable No.45 I think it quite possible that you may have to do very little with him for the time being, but that does not prevent personal contact between you two individuals. If you will write to him now and then like a brother and tell

him

him what he ought to do and think, and how he ought to keep his spirits up, you will be doing a great deal of good; and perhaps as my cable No.37 suggests you can bring in the question of autonomy.

3. Your position has clearly become more difficult and this may doubtless be explained by the Congressional elections due next November. But I understand from the newspapers that in spite of this election the soldiers' bonus has ceased to be a practical question at present. This at least is to the good, for any such plan if carried out on a large scale would probably upset the whole policy of contraction which has been going on steadily for months past.

4. If you see any chance of coming over here, please let me know early. We are going to be very busy until the 1st April. After that, if it should be impossible for you to come here, it might be wise for me to try and pay you a week's visit. You will agree that without contact our two Banks will sooner or later drift apart, and even before they do so may come to understand one another less happily than they do now, so please give this question of your coming here early consideration

5. National

5. National Bank of Switzerland. Please refer to my letter of the 7th November last and note the enclosed copy of a letter to its President, which an enquiry they happened to address to us gave me the opportunity for writing. It is proper for me to enclose this copy because your name is mentioned. But the answer merely states that my letter has been handed over to their Board of Directors who "will have to discuss the details," thus showing that the President is tied by the leg.

6. Bank of Japan. I shall be glad to see Mr. Fukai who you say (cable No. 41) is sailing from New York. I saw your friend Mr. Nakane a week or so ago but from him I could obtain little hope and less encouragement as to the possibility of closer relations, so I shall hope to fare better with the other man.

7. Our position is becoming more complicated and in many ways is just the reverse of yours. My letter of the 6th February gave you an outline and since then short money is so abundant that the highest class of Securities is rising at too fast a rate to be healthy. Doubtless as trade declined a general improvement in the price of good Securities was to be expected; but I

expected

expected it to be more or less gradual, whereas during the last couple of months there must have been a rise of something like 10 per cent. I don't know where it is going to stop and sooner or later there will be bitterness if not criticism, in political and trade circles at the fact that while trade is worsening and unemployment is rife there is a boom on the Stock Exchange. I fear it will come home to roost in the form of some attack on the so-called capitalist.

8. Austria. Please let me know early in March how your prospects look, for by that date according to your cable No.40 you will have been able to find out.

With warmest regards,

Yours most sincerely,

Alvaman.

Benjamin Strong, Esq.

COPY.

Rejd to in letter from M. W. 2/10/22

CONFIDENTIAL.

7th February, 1922.

Dear Mr. President,

With reference to the letter of the 3rd instant addressed by the Banque Nationale Suisse to the Bank of England, an official acknowledgment of which is being despatched to-day, I have to state that the Bank of England could probably obtain authority to send to you, or to anyone on your behalf, at any time, South African gold purchased by you from time to time in the London market, and meanwhile they would be prepared to hold the gold on behalf of your Bank upon such terms as might be arranged.

Such an arrangement would be of a private character between the two Institutions as Central Banks and as such should form part of a larger arrangement of an exclusive nature between the two Institutions, similar to those we are willing to make with approved Central Banks and have indeed already made, for instance, with the Federal Reserve Bank of New York and the Reichsbank. The basis of any such arrangement must be mutual and non-political, and should, if not at the present time at any rate in due course, lead to exclusive relations so far as concerns the operations of either Institution in the country of the other.

I am very glad to have this opportunity

of

of entering into direct touch with you, a privilege I already enjoy in the case of Dr. Vissering and others holding similar positions. If the course of action which I have very briefly sketched out above is favourably viewed by you, I shall be most happy to discuss the matter with you in fuller detail.

I am, dear Mr. President,

Yours faithfully,

(Sd.) M. NORMAN.

The President,
Banque Nationale Suisse,
Berne.

Strong, Norman

ACKNOWLEDGED

MAR 9 1922

ACKNOWLEDGE

Bank of England 28 1922

London, E. C. 2 S.

23rd February, 1922.

PRIVATE

My dear Strong,

I understand that the Genoa Conference is certain to be postponed, but I believe that it is as certain to be held ultimately. In this belief, I enclose an advance copy of the Scheme for the work of the Conference which is under consideration here.

You will notice that there are many points of mutual interest touched upon including Co-operation of Central Banking and the restoration of the Gold Standard. For my part I am inclined to think that the aims of the Scheme are at present a bit optimistic!

I have sent copies of the enclosed to all those here in Europe who have enrolled themselves under the banners of Central Banking, with an exhortation that when the time comes they may be in the position of having a settled opinion and policy.

The enclosed is of course of a

highly

highly speculative character until it has received approval of, at least, the Allies; at present it represents only the British suggestions. I don't expect much real good from Genoa - Poincaré will probably prevent that - but it may prove to be useful first, by bringing nearer the restoration of the Gold Standard and secondly, by recognising the established position of Central Banks: in the latter case I think that a clause ought to be added requiring autonomy for all such Banks.

With kindest regards,

Yours most sincerely,

McKeruan.

Benjamin Strong, Esq.

CONFIDENTIAL.

ACKNOWLEDGED

MAR 9 1922

Bank of England

London, E.C. 2

24th February, 1922.

My dear Strong,

I expect that the enclosed will interest you. The lecture has been delivered so that my enclosure which is only a "proof" may have been slightly altered.

Mr. Hawtrey, who is a "leading light" of the Treasury, makes it his particular business to quarrel with the policy of the Treasury and of the Bank of England!

With kindest regards,

Yours most sincerely,

Divoman.

Benjamin Strong, Esq.

ACKNOWLEDGED

MAR 22 1922

R N

Bank of England

London, E.C. 2

25th February, 1922.

My dear Strong,

I write first to acknowledge your confidential letter of the 7th in which nothing seems to call for remark excepting your prospect as regards rates (middle of page 2) and the Cheap Money Campaign (page 3).

1. Your position is disappointing and seems likely to make continued co-operation more difficult than I had hoped. This I understand perfectly well is due to local conditions mainly political or social which, of course, you cannot control. Now you see no prospect of a decline in your rate from $4\frac{1}{2}$ until May or June, and I must say to you (merely as a guess) that it is doubtful if we can hold our present rate of $4\frac{1}{2}$ as long as that. With us money is oozing into Lombard Street and into the Investment Market day after day. Doubtless it is mostly coming from Trade; but the fact remains that here we are in the middle of the tax collecting quarter with the Treasury in a very strong

cash

CONFIDENTIAL.

ACKNO Bank of England
MAR 22 1922 London, E.C. 2

27th February, 1922.

My dear Strong,

I am only going to answer in a negative sort of way your personal letter of the 7th enclosing an embryo letter of the 1st November last. I agree with the principal causes of the disturbances in the Exchanges as you outline them, but I believe that (d) and (f) are far more important than their position in the list makes them appear to be.

In this connection you should look at the relative clauses in the Genoa proposals enclosed in my letter of the 23rd (e.g. page 7). Generally speaking, I do not believe that any artificial means for the stabilization of Exchange would, if ever, be practicable until the debts have been settled, the Reparations adjusted, and free Gold Markets have again become much more general than they are now. And is it not true that when these things shall have happened stability in the Exchanges will be looking after itself in the old-fashioned way and

artificial

artificial stabilisation will hardly be necessary.

I will only mention one further and practical point. Page 3 suggests that the various countries should enter into gold contracts to ship gold under certain eventual conditions. But how could they do so? Before entering into such a contract each country (or the Central Bank) must have the gold or know where to get it. If they have the gold it is pledged against their Note Issue or in some cases pledged against foreign credits: in neither case is the gold free for eventual use ~~against such credits~~ and the suggested contracts could hardly be arranged without special legislation? Thus, although I can see that theoretically such a plan could work, I cannot see how practically it could be carried out, and I should be glad of some further enlightenment if you think we ought to consider the embryo scheme at the present time.

On this general question I have been talking to one or two of the Swedes lately and as you know I have also been corresponding with Mr. Moll. The Swedish Exchange is roughly at a premium over the £ and on a par with the \$. They could easily (so they say) attract gold but they fear to do so because of its

domestic

domestic disturbances on prices, &c., and they are wholly unwilling to consider the orthodox course (as I believe it to be), namely to let gold come in freely and as their reserves rise to make foreign Loans liberally. Instead of doing that they are disposed to buy pounds and dollars and carry them in New York or London at 2% interest until their trade revives or they see which way the cat is going to jump!! Thus they may well fail to help (if they do not actually impede) the rehabilitation of part at least of the devastated world by following the time-honoured custom as I have stated it: and likewise they fear a free gold market which they of all Nations in Europe could the most quickly achieve and which, for reasons of stable Exchanges, Europe needs. I know not whether to blame their politicians or their professors.'

With kindest regards,

Yours most sincerely,

Hisoman.

Benjamin Strong, Esq.

TRANSLATION OF CABLE

London, England

March 1, 1922.

Federal Reserve Bank,

New York N Y

#41 STRICTLY CONFIDENTIAL FOR GOVERNOR:

Your #48 Sir William Goode who is an unofficial financial adviser to Austrian Government informs me that:

First - He is proceeding to Washington to urge release of liens

Second - Question of loans is being seriously considered by J. P. Morgan & Co.

I am inclined to mistrust latter statement but you might ascertain position confidentially and cable me. If release of liens is imminent it seems important question of loans should be studied by bankers both here and in America with view to prompt co-operation.

Bank of England

ACKNOWLEDGED

MAR 19 1922

Bank of England
R. S. London, E.C. 2

2nd March, 1922.

My dear Strong,

Mr. Fukai of the Bank of Japan called to see me last Monday and presented your letter of introduction. We had a long talk and I found him a very friendly fellow, anxious to co-operate in establishing the closer relationships which we desire.

Before he left I gave him a copy of our epitome of Central Banking and I am hoping to make some real progress with him at our next meeting.

Your timely hint as to the difficulties which Mr. Fukai, as well as other Japanese, experiences in our language, and the necessity for "going slow" was most helpful: but I would rather that you gave me such a hint with confidence in my intention to be helped by any suggestion from you rather than, as you put it, "diffidently": please make a note!

With kind regards,

Yours most sincerely,

Livingston

Benjamin Strong, Esq.

CONFIDENTIAL.

ACKNOWLEDGED

MAR 22 1922

Bank of England

London, E.C. 2

6th March, 1922.

My dear Strong,

I have received your letter of the 18th
February which refers back to my letter of the 23rd
December on the subject of the autonomy of the Reichsbank.

The present position of the Reichsbank is anomalous. It arises from ~~those~~ former conditions, when its Direction was appointed by the Emperor (in the person of his Chancellor) in order to protect the Reichsbank from pressure or domination by the German Finance Department. The then position was therefore reasonable:- the Reichsbank was autonomous vis-à-vis all Departments of State and subject only to the Imperial will. But now that the position has changed owing to the formation of a Republic, the former powers of the Emperor are vested in the same persons as those who control the Finance Department, viz., in the German Government. Therefore the arrangement which was originally designed to protect the Reichsbank has, owing to political changes, become such as to shackle it - historically, this I think is the
explanation

explanation of the present position.

I agree with your second paragraph. But I understand that all the thinking people at the head of German affairs recognize, as does Havenstein himself, that in a democratic country autonomy is the logical and proper course.

As to your third and fourth paragraphs, of course there is nothing to be said in favour of a ^{such} "technical adviser". On the other hand, no one wishes to give an independent Reichsbank the power of veto over the "entire financial and economic programme" of the German Government. I think that what we all have in view is fairly expressed in the enclosed extract from a letter I wrote to Havenstein on the 6th February, viz. to make unsound finance and dangerous methods difficult though, as the State is sovereign, not impossible.

The idea of requiring the autonomy of the Reichsbank as it presented itself to those concerned at Cannes was not to ensure compliance by the German Government with the demands of the Allies but merely to take the

opportunity

opportunity of democratizing the Central Bank and
obtaining sound financial advice for the Government.

With kindest regards,

Yours most sincerely,

Hirshman.

Benjamin Strong, Esq.

Referred to in letter of Norman 5/4/22

EXTRACT FROM LETTER TO PRESIDENT HAVENSTEIN FROM THE GOVERNOR
OF THE BANK OF ENGLAND - 6th February, 1922.

There is one further point that I wish to mention. Will you please, Mr. President, write to me as soon as possible and tell me how matters now stand for the legal granting of full autonomy to the Reichsbank. The letter which you were so good as to write to me on 28/29 December (in alluding to B.I. of the aide-memoire which I had sent you) stated that you had already proposed a precise wording for the Bill which had met with the approval of your Government. I venture to think it very important in your interest that this Bill should be passed with as little delay as possible. I do not know whether it is included in the suggestions that have been made by your Government to the Reparation Commission, and I regret, as I have said above, that it was not a demand by the Entente, because that would have so much strengthened and recognised the position of all other Central Banks, as well as of the Reichsbank. But it is now important, I am sure, that your position should be strengthened to the greatest extent possible, and that hereafter you should make a practice of objecting to any unwise economic measures or to any inflationary policy which your Government may wish to adopt. It matters not whether such policy may seem unavoidable or not. The important point is that the Reichsbank, once independent, should be known to adopt towards its Government the habit of making excessive note issues difficult, of recommending to the utmost limit

contraction

contraction in respect of Treasury Certificates and other short forms of Government borrowing, and of insisting on a sound financial policy.

CONFIDENTIAL.

77201 W. Gordon
21 W. Handberg

Bank of England

ACKNOWLEDGED London, E.C. 2

MAR 28 1922

6th March, 1922.

B. S.

My dear Strong,

Austria

I believe you are now in Washington and I am hoping to receive a cable from you in a few days as to the prospects of this distressful country.

Cable No.57 sent in your absence tells me that Morgans are not considering the question of a Loan, and my cable No.41 has told you that Sir William Goode is at this moment proceeding to your side in this connection as the unofficial emissary of the Austrian Government.

For months past we have both had the idea that this question of the rehabilitation of Austria should be taken up by Central Banks; the first step in that connection being taken by yourselves. Now I am rather coming to believe that for domestic reasons you won't be able to do this, and the position is

complicated

complicated by the personality of Sir William Goode. He is an energetic well-meaning man formerly in newspaper work, now, as I have told you, the unofficial financial adviser to the Austrian Government in Vienna. But I mistrust his methods and his statements, not because he is deliberately unreliable but because he is sloppy and casual. This opinion is gathered both from hearsay and from the one conversation I have had with him, but as I wish you to understand just how this question of a Loan for Austria stands I am enclosing a copy of my letter to Sir William Goode of the 2nd and his reply of the 3rd. You see therefrom that, when he came to see me a few days ago on this subject, he was already negotiating with Mr. Jay on behalf of Morgans, and when he asked me to open similar negotiations in London, or to indicate how he should best do so, I declined simply because it is utterly wrong for the Austrian Government (through one or other intermediary) to be negotiating with two parties at the same time. Nobody but a man of Goode's make up would suggest such

a course or be willing to undertake it.

My idea is that, subject to the release of the liens, we must see to it that ^{Somewhat} Austria gets an adequate Loan this summer and I believe she can provide adequate security. I feel, as is stated above, that for domestic reasons surrounding your position the negotiations had better not be taken up by Central Banks? These negotiations could best be conducted by parties in London who should, and undoubtedly would, wish for assistance from parties in New York and possibly from parties in Amsterdam or other European centres as well. On the whole I believe that the best parties in London to start these negotiations would be Rothschilds owing to their pre-war connection with similar Austrian business and owing to their family connection with Austria; but I have not said a word to them or to anyone else on the subject and I do not intend to do so until the position in New York has been defined by the success or failure of Sir William Goode's conversations with

Morgans

Morgans.

I simply write this hastily but at some length that you shall be informed as to how this Austrian question stands here.

With kindest regards,

Yours most sincerely,

Hiramau.

Benjamin Strong, Esq.

P.S.

I find that the next mail does not leave here until the 10th so I am afraid that this letter will reach you too late to serve its purpose. However I am sending it for the sake of regularity!

Referred to in Norman's Letter 2/6/22
COPY.

Bank of England,

2nd March, 1922.

Dear Sir William Goode,

I am much obliged for your note of yesterday enclosing an Austrian Trade Analysis which will doubtless be extremely useful to others as well as to myself in elucidating the Austrian position.

I note that in accordance with our conversation the question of Austrian Loans will not be brought before English financial interests until you have discussed the matter with Messrs. Morgans in New York. Inasmuch as before coming to London you had already, on behalf of the Austrian Government, put the question before them through Mr. Jay of Paris (who I understood was about to go to New York), I can see no other proper method of proceeding. I have so informed Dr. Grimm and Baron Franckenstein who have been good enough to call upon me to-day.

If later the field should be clear in New York I shall be glad to take the question up in London, and meanwhile, wishing you bon voyage, I shall look forward to seeing you soon after your return.

Yours sincerely,

(Sd.) M. NORMAN.

Sir William Goode, K.B.E.

COPY

49, Westbourne Gardens,

W.2.

March 3, 1922.

Dear Mr. Norman,

Many thanks for your letter of the 2nd. There is just one point that I should like to make quite clear, namely, that at the time I had my discussions with Mr. Jay in Paris I only spoke unofficially and not officially on behalf of the Austrian Government. The point has no ultimate significance, except as regards my own action, because upon my arrival in Vienna the Austrian Government, to whom I reported the conversation, approved of my taking the matter up with Mr. Jay in New York. Perhaps I might also add, in order to make my own position perfectly clear, that Mr. Jay, as I told you, asked me to enlist the support of London bankers before I left for New York without specifying any particular group. This, as you know, I have refrained from doing on account of the advice which you were kind enough to give me.

Yours sincerely,

(sd.) WILLIAM GOODE.

Montagu C. Norman, Esq., D.S.O.,
Governor of the Bank of England
Lombard Street,
LONDON.

Strong: Hermann

COPY.

Referred to in letter of Narmann 3/4/22

Der Präsident
des
Reichsbank-Direktorium,
Berlin.

4th March, 1922.

Private and Confidential

Dear Mr. Governor,

I am sure that you are awaiting with expectation news about the progress of the negotiations concerning the autonomy of the Reichsbank. But until now, it was not possible for me to give you some certainty about it. Only to-day, I was able to dictate a longer letter to you giving you more detailed informations about this and other questions interesting you. But the letter must still be translated into English and I myself must part for several days so that my letter will only reach you at the end of next week. To-day I will therefore only limit myself telling you that the cabinet yesterday has accepted the draft of the bill composed by the Reichsbank, and it will as soon as possible be presented to the Reichsrat and then to the Reichstag. I hope that, in the course of this month, it will definitively become law. This law removes every authority of the Reichskanzler to interfere with the management and the policy of the Reichsbankdirektorium and fixes wholly and absolutely the autonomy of the Reichsbankdirektorium and likewise the personal independence of the President and the members of the Direktorium of any commanding power and disciplinary authority of the Reichskanzler, their

full

3/4/22

full independence being safeguarded in a similar way as that of the members of the Reichsgericht. In a more detailed letter I hope to give you further notice about the matter.

With kind regards,

Believe me, dear Mr. Governor,

Yours sincerely,

(sd.) HAVENSTEIN.

Enclosure November 19/22

COPY.

31, Pine Street,
New York,

3rd March, 1922.

Dear Sir Henry,

I have your letter of January 24th from Johannesburg, and I am very glad to have a "Lebenszeichen" from you.

In reply to your question: The campaign of education, which we carried on at the time, was launched and carried through before the enactment of the law. In this regard it differs from your problem because, as I understand, your legislation has already been secured, and what you want is now a campaign of education for the development of a money and discount market. I am sending you under separate cover a pamphlet, which has been published quite recently on the Federal Reserve System. It contains the full story of our campaign and also throws a side-light on some of our present problems. The document has been gotten out as a matter of education for the public, though I am afraid it is a little bit too scientific and too dry and somewhat above the heads of the people, that ought to be instructed, in this case particularly our Congressmen and the farmers. However, a consistent campaign of education, - in order to bring about a better understanding of the art of accepting and re-discounting, - is carried on by the American Acceptance Council, of which I happen to be the Chairman. All the leading accepting banks and bankers are members of this
Council

Council, which is a voluntary organization. We meet some four or five times a year, and in between we have our "Acceptance Bulletin" carry such articles, as may be instructive for our bankers and businessmen. In addition to that, we publish from time to time pamphlets, which deal at length with one particular phase of the problem, as a rule speeches, which some of us have made on these topics, and which are disseminated in this manner. I shall ask the Secretary of the Acceptance Council to forward to you a complete set of these pamphlets and also of the "Bulletin". My own feeling is that what we are doing in the American Acceptance Council will be of more service to you than the earlier campaign in 1912/13. The stuff, that we published in that period, is so voluminous that it would, I believe, be more than you would want to read, and I am, therefore, not undertaking to send it to you. If you wish it, however, let me know, and I shall be glad to see what I can still collect for you. The campaign, that we undertook in those years, did not cost much less than \$1,000,000.00. What we spend at present is indeed very moderate and entirely covered by our annual contributions.

In this connection, I think it would be very interesting for us to carry an article in our "Bulletin", written by you, concerning your problem in South Africa, and covering the organization of your new Federal Reserve System in that country. If you could furnish us an article as long, or as short, as you may feel like it, we shall be greatly indebted to you.

To turn to a more practical question, is
there

there any possibility of the International Acceptance Bank, Inc., becoming connected with the new central banking institution of South Africa? It may well be that they might want to carry some gold balances over here, or that they might want acceptance facilities, or in what other way could we connect with South Africa? So far, we have made no connection worth speaking of down there, and if you could give me the benefit of your advice in that direction, I should be greatly obliged to you.

With kindest regards and always with pleasure at your service,

I am,

Sincerely yours,

(Sd.) PAUL M. WARBURG

x
We have almost all the important European Government banks as our customers and I should like to include South Africa.

Sir Henry Strakosch,
Pinnars Hall, Austin Friars,
London, E.C.2.

x
? Central?

ACKNOWLEDGED

Bank of England
London, E.C. 2

MAR 22 1922

R. S.

6th March, 1922.

My dear Strong,

This is just to acknowledge your two letters of the 17th and 18th February in reply to mine of the 19th and 29th December last.

With kindest regards,

Yours very sincerely,

Hisouman.

Benjamin Strong, Esq.

ACKNOWLEDGED

MAR 28 1922

Bank of England

B. S. London, E.C. 2

8th March, 1922.

My dear Strong,

I write to acknowledge your letter of February 18th on the subject of opening up trade in Eastern Europe and Russia mentioned in my letter of the 30th December. I entirely agree with your second paragraph and so I know does Kindersley ^{in his heart} These proposals for special organisations are taking shape ^{here} in the formation of -

See File 1116.31 #5
a Central International Corporation - Parent Company.

Capital £2,000,000 to be subscribed by the various National Corporations which are being established in various countries, and

the British National Corporation, which is being established in this Country with a Capital of £4,000,000 to be guaranteed as to principal by the British Government.

The whole object of these proposals
is

3/8/22

Benjamin Strong, Esq.

is to attain a political end under a commercial cloak, the political end being that of getting practically all the countries of Europe, and perhaps the United States as well, round a table, and co-operating with one another for the rehabilitation of Eastern Europe *especially* and Russia. As commercial undertakings I doubt if they have much chance of success.

As to your third paragraph, Sir Paul Dukes was Chief of the British Intelligence Service in 1918. Since then he has been Special Correspondent of "The Times" in Eastern Europe. He is now in the United States with no sort of official blessing and whatever he says is entirely on his own responsibility. I guess he is more a newspaper man than anything else.

*Yours sincerely,
N. S. Roman.*

CONFIDENTIAL.

ACKNOWLEDGED
Bank of England
MAR 22 1922
London, E.C. 2
R. S.

9th March, 1922.

My dear Strong,

I enclose copy of a letter which I have received from Havenstein, and to which I alluded in my cable No.44, from which you will see that he hopes the Bill for granting autonomy to the Reichsbank will be law by the end of the month.

With kindest regards,

Yours very sincerely,

Livingston

Benjamin Strong, Esq.

PRIVATE

ACKNOWLEDGED

MAR 22 1922
Bank of England

London, E.C. 2

9th March, 1922.

My dear Strong,

I have received your letter of the 18th February in regard to rates, on which subject please refer to my letter to you of the 25th idem (paragraph 1).

The ease in our money market is, in my opinion, due to a real paralysis of trade - to quote your own words - and money continues seeping ^{from Trade} into Lombard Street for employment. If you ask me how long this is likely to continue I can only say that it is very difficult to prophecy as the remedy lies in the rehabilitation of Europe; but in any case I do not think that we shall see much improvement within the next two years.

With kindest regards,

Yours most sincerely,

Hiseman.

Benjamin Strong, Esq.

CONFIDENTIAL

ACKNOWLEDGED
Bank of England
MAR 2 1922
London, E.C. 2

10th March, 1922.

My dear Strong,

This is to thank you for your letter of the 18th February which amplifies your answers to my cables 34 and 37 regarding the Reichsbank and makes me appreciate the more the difficulties of politics and publicity with which you are confronted.

I do not propose however to write to you at length as I think that any reply I can make at the moment is fully covered by my letters of the 20th February and 6th instant: moreover the question of autonomy is now only of academic interest seeing that, as I cabled to you on the 8th, it will probably be law by the end of the month. So please accept this just as an acknowledgment.

With kindest regards,

Yours most sincerely,

W. S. Davidson

Benjamin Strong, Esq.

PRIVATE.

Bank of England

London, E.C. 2

13th March, 1922.

My dear Strong,

With reference to your letter of the 18th ultimo and to my reply of the 8th instant regarding the opening up of trade in Eastern Europe and Russia, I have since obtained various papers concerning the Corporations to be formed in pursuance of the arrangements made at Carnes and in accordance with the special proposals of the Scheme for the Genoa Conference, ^(page 8) copies of which I now enclose for your information -

- Done in file [11163] #5*
- (1) Report of Result of London Conference;
 - (2) Memorandum and Articles of Association of The Central International Corporation, Ltd.;
 - (3) Draft Memorandum and Articles of Association for National Corporations;
 - (4) Draft Agreement between National Corporations and The Central International Corporation; and
 - (5) Minutes of the London Conference (marked "Private and Confidential").

Yours most sincerely,

Hiseman

Benjamin Strong, Esq.

PRIVATE

13th March, 1922.

Thorpe Lodge, Campden hill, W.8.

My dear Strong,

I have been wondering, ever since it came, how I was to answer your letter of the 17th of February, and to-day I cannot do much more than say that I am unable at present to answer your question about a successor.

You know that custom and tradition at the Bank require that no one shall ever be elected for more than a year at a time, but that in the past it has been customary for the Governorship almost always to be held for two years. At the beginning of next month, contrary to custom, I am beginning my third year. What will happen after that I have not the least idea, but I must confess that there is no understudy at the present time ^{ready and} qualified to step into the gap. It is difficult for me to find out about this question, perhaps more so for me than for anybody else; and opinion among the Directors on such a question as this, although pretty well known to each individual, has naturally not been crystallised or put into words. I think I may be able to write you a little more definitely next month - anyhow, I will try and do so. I think that Addis, when he comes home, may have something to say on the matter, and this - though 10 to 1 it will be different from everyone else's views - may help to clear the air!!

As to your own position, I am greatly relieved to hear that you have no intention or expectation of quitting the Bank yet awhile. I did speak to Moreau rather frankly on this subject, simply because he knew your condition and because I was, honestly,

afraid about your health, and not in the least because I thought you had any voluntary intention of making a change; and I confess that, having seen a little of most of your associates, I have not the least idea in the world which one of them would begin to be competent to take your place.

Just let me continue this train of thought for a moment. From the time you were taken ill last fall the correspondence between our two Banks in New York and London, in so far as it had regard to policy or cooperation, began to drag, to be unhelpful, unconstructive, and of little use - at least to myself, since I was trying all the time to build upon it a policy which both of us could follow. As a matter of fact, while I was day by day noticing these changes, I was under the impression that you were still at work but ill, too ill to be at work, and that it was because of your illness that the machine appeared to me to be creaking. I have since learned that it was creaking because you were ill and away - hence my concern in talking to Moreau as to your alternate, if not as to your successor.

Please do not write to me about these subjects at the Bank, but - as you did on this occasion - to this address: similarly, I do not take such letters away from here or show them to any of my colleagues.

Yours sincerely,

W. Roman

BENJAMIN STRONG, ESQ.,
15, Nassau Street,
New York.

PRIVATE.

ACKNOWLEDGED

Bank of England
MAR 28 1922
London, E.C. 2

16th March, 1922.

My dear Strong,

We have lately had some correspondence with the Swiss National Bank in regard to matters which are of interest to all Central Banks, and I have in consequence this week had the advantage of a visit from M. Schnyder de Wartensee of Berne with whom I have discussed such matters as the possibilities of the Genoa Conference, the Gold Standard, the relations of Central Banks and the desirability in the main of exclusive dealings between them in their respective countries. M. Schnyder has gone hence, I am glad to say, to confer with Mr. van Vollenhoven of the Netherlands Bank, but in the course of our conversation it came to my knowledge that there is at present neither relations nor communication between the Swiss National Bank and the Federal Reserve Bank of New York. This I submit is an omission which might be remedied.

With that object in view, I am writing to you this letter, of which I shall send a copy to M. Schnyder in Berne, assuring him that he is at liberty to start
correspondence

correspondence with you and that you on your part will be only too pleased to respond and to offer such facilities of one kind or another as are appropriate between Central Banks.

With kindest regards,

Yours most sincerely,

McRoman.

Benjamin Strong, Esq.

CONFIDENTIAL.

ACKNOWLEDGED

Bank of England 1922

London, E.C. 2

20th March, 1922.

My dear Strong,

I now reply to yours of the 18th
February regarding the Guaranty Trust Co.

While I believe that the position as
expressed in Mr. Paget's letter was sound, I am glad that
you have raised the larger question, which we ought to
discuss over the fire. Failing that, I write.

I welcome American investors in this
market. If that is the rule, and I accept it, the
exception would be their position in the Discount Market
under the implicit conditions regarding which Mr. Paget was
replying.

In particular, this raises the peculiar
position of the Discount Houses here. They cannot exist
as such without a (special) account at the Bank of
England; that account may be closed at discretion by the
Bank and in the event of misbehaviour is closed. (There
are two concerns in this position now - a position which
means an end of their business.) Therefore the relations

of

of the Discount Houses with the Bank are very close and can only be carried on by free principals. If the control were in New York (or Paris), those relations with principals could not exist as the policy of the House would be dictated by the Guaranty Trust Co. who would be resident far away.

Again, as you know, it is ~~in general~~ the custom of the Bank of England not to open accounts for Foreigners or those resident abroad - other than Central Banks - and this would certainly apply to concerns in this country nominally British but actually foreign-owned. (The British Bank of Northern Commerce while it existed was a case in point for it was controlled in Scandinavia and therefore ranked as foreign).

This answer is as complete as I can make it in a letter, for I repeat that the subject is one for personal discussion.

With kindest regards,

Yours most sincerely,

Divoroman.

Benjamin Strong, Esq.

CONFIDENTIAL

ACKNOWLEDGED

MAR 30 1922

Bank of England
London, E.C. 2

21st March, 1922.

My dear Strong,

I now come to yours of the 21st February on the subject of Mr. Moll's letter to me of the 27th January.

I agree that the first decision regarding the restoration of Sterling to parity seems to rest with this country - but such decision cannot be considered until the abnormal influences have been eliminated, viz:-

- (a) American and inter-allied debts
and
- (b) German Reparation payments.

This restoration of the £ would certainly create difficulties such as you refer to in page 2 but on the whole would be accepted by instructed opinion. " And if your Congress decides on the Soldiers' Bonus I should not be surprised if, through the resulting inflation on a large scale, our exchange were to come very close to parity; as
while

while the £ would stand still the \$ would be perhaps depreciated?

I am glad to find that the Funding Commission as appointed meets with such full approval from you but, until its composition has been confirmed by Congress no line of action here can of course be considered.

I am in touch with Moll about Genoa, also on the subject of gold deposits between Central Banks and while I should be glad for you to be in *direct* touch with him too, I do not think I have any definite suggestions to offer for you to work on. You will find from my letter of the 16th however that I have endeavoured to bring you into contact with still one more Central Banker - Mr. Schnyder, of the Swiss National Bank.

With kindest regards,

Yours most sincerely,

Hisoman.

Benjamin Strong, Esq.

CONFIDENTIAL.

ACKNOWLEDGED

APR 3 1922
Bank of England
R S
London, E.C. 2

22nd March, 1922.

My dear Strong,

I am afraid that I am somewhat behindhand with your recent batch of letters and I shall perhaps hardly have time to digest them sufficiently to reply in detail.

First your letter of the 4th. I quite see your political troubles and difficulties - which seem even greater than ours, although I should not be surprised if we were to have an election here before yours in November. Only lately have the countries of the world started to clear up after the War, two years having been wasted in building castles in the air and pulling them down again. Such is the way of democracies it seems, though ^{a few "aristocrats"} ~~aristocracies~~ in all countries realised from the start what must be the inevitable result of hastily conceived remedies for such serious ills.

Now as to Austria. I agree with

you

77/1 7 1113
77/1 7 1113

you about Sir William Goode - he had better have stayed at home. But being a pushful, talkative, his-own-master sort of man he arranged to go and merely came to London to tell us so on his way. (Rumour has it that he lives too well and that he became rather notorious in Vienna).

Rates I am glad that you have some hopes of coming down to 4% although your paragraph 4 hardly seems to point that way. I certainly see a lower rate looming ahead here and not very far off either.

Genoa The Prime Minister is still bent on the Conference but truly it is largely political. I sent you the British Agenda in my letter of the 23rd February and these are being discussed this week with the French, Belgians and Italians and will doubtless be altered. You will see germs of sense and perhaps of eventual stability in the Economic proposals but there will be no discussion of German Reparations and the Neutrals do not yet know officially what the subjects for discussion will be.

I have been dreadfully busy of late and I

am still rather out of touch with you. Your visit to Miami is good for you and, I am sure, wise but on the other hand it means that you are not in New York and events move so fast and change so often that we must depend more on cables than on letters.

As a final word let me say that I read your letter to Blakett of the 18th February, mentioned in yours ^{to me} of the same date, and saw in it more reasons for patience than for hope. And so did he! The plan for dividing German Reparations into two parts, actual (small) and contingent (large - pari passu with demands for payment of inter-allied debts) is making some headway, especially in France, but of course your politicians will not like the apparent conclusions which may or must be drawn from it.

I am extremely sorry to find that you had not received an outline of this plan earlier but I was quite under the impression that I had sent it to you in embryo last December. For some reason or other -

other - your illness perhaps - I apparently failed to do so.

With kindest regards,

Yours very sincerely,

Alvoman.

Benjamin Strong, Esq.

ACKNOWLEDGED

APR 3 1922

Bank of England

London, E.C. 2

23rd March, 1922.

FILES DIV.

JUN 8 1922

FEDERAL RESERVE BANK
OF NEW YORK

My dear Strong,

I am sending you the enclosed article by O.T. Falk, (whom you may remember meeting over here during your visit), in the hope that you will find it as entertaining as I did. Falk is a Stockbroker as well as an Economist and I am afraid that his views in the latter capacity are somewhat jaundiced through being on the wrong side of the market in the former!

With kindest regards,

Yours very sincerely,

W. H. C. ...

Benjamin Strong, Esq.

*Dec 11/6.3
#57*

TRANSLATION OF CABLEGRAM

London, England

March 27, 1922.

Federal Reserve Bank

New York N. Y.

#49 STRICTLY CONFIDENTIAL FOR GOVERNOR:

1. Your #65 #1 is this in any way due to Goodes visit
2. I hope loan to Czechoslovakia which is thus being negotiated here will shortly be issued in New York and perhaps Amsterdam as well as London
3. You will remember that many European countries along with United States must formally release or postpone liens on Austria in order to permit issue of loan
 3. (A) If required by lenders whoever they may be I agree that League should somehow stand aside in future from loan situation and a step in this direction has been taken by recent refusal of Austrian Government to appoint controller on behalf of League as desired by Economic Committee of League
 3. (B) It is essential in my opinion that loan and new central bank be treated throughout as part of one question and I believe this will be welcomed by Austrian Government
 3. (C) This could be arranged here, but am uncertain about French with whom difficulties are apt to arise in all Austrian matters
 3. (D) This is a question for J. P. Morgan and Company as Goode has opened negotiations with them, but in my opinion such negotiations were better conducted in London by Morgan Grenfell or others this is not in order to eliminate American bankers whom I consider essential but because by location tradition and knowledge London is in this instance better adapted for negotiations and co-operation with American bankers

Bank of England

CONFIDENTIAL

Bank of England
London, E.C. 2

29th March, 1922.

My dear Strong,

In my letter of the 23rd ultimo I enclosed a Draft Scheme of the work for the Genoa Conference then under consideration by the British Government.

Loosan file
I now enclose for your private information a voluminous report by the Allies' Experts on that Scheme. I hope that it will interest you.

I heard the other day that Burckhardt of the National Bank of Switzerland - another Central Banker - is laid on a bed of sickness for some time. Sickness seems to be pursuing us but I take comfort from the fact that it has jumped from you over England to Holland and Switzerland.

Yours most sincerely,

Hiseman

Benjamin Strong, Esq.

CONFIDENTIAL

ACKNOWLEDGED

APR 10 1922

Bank of England

London, E.C. 2

30th March, 1922.

My dear Strong,

Sir Henry Strakosch has just returned from South Africa where he has been in close touch with our late colleague, Mr. Clegg, the Governor of the South African Reserve Bank. Strakosch came in to see me yesterday bringing with him a letter which he had received from Mr. Warburg. I enclose a copy.

I do not know what you will think about it but, frankly, I am amazed that such a movement should have been backed up from such a quarter. To me it is unthinkable that the legitimate business of the Central Bank should be undertaken by an Acceptance Bank. I am surprised that Mr. Warburg should assist ^{his} an Acceptance Bank to usurp the proper functions of your Institution.

As you well know I have done my utmost to promote the most intimate and exclusive relations between Central Banks. In my endeavours I have brought into closer relationship with you various Central Banks

in

Zell

show for talk with P.M.W.

in Europe and, in time, I hope through my collaboration that similar happy relations will be established between you and the South African Reserve Bank.

I confess that I am perturbed about this which appears to me to be propaganda directed against Central Banks in general and against yours in particular. He is poaching on your preserves at the moment but who knows where his activities may lead him to? I am sure that you will agree with me that interference at the present time is the last thing that we want and that we ought to do all in our power to prevent it.

With kindest regards,

Yours most sincerely,

Alvroman.

Benjamin Strong, Esq.

ACKNOWLEDGED

APR 14 1922

Bank of England
London, E.C. 2

4th April, 1922.

My dear Strong,

*In library
CS*

In your letter of the 9th ultimo you asked whether there had been anything further published regarding the economic agreement between the Scandinavian Countries. I made a similar enquiry of Mr. Moll, with the enclosed result. He very kindly enclosed a translation of the Articles of Convention which I also pass on.

Yours most sincerely,

with Mr. Strong

Al Roman.

Benjamin Strong, Esq.

Bank of England

London, E.C. 2

5th April, 1922.

My dear Strong,

To Mr Strong

I enclose a pamphlet by Sir Henry Strakosch on South African Currency and Exchange which I thought you would like to read.

Yours most sincerely,

Davidson

Benjamin Strong, Esq.

READ AND NOTED,
B. S.

Bank of England

London, E.C. 2

13th April, 1922.

My dear Strong,

I am very much afraid that I have once again been remiss in writing you. I have your letters of the 22nd, 28th, 30th March and the 3rd April and I propose now simply to touch on a few points and, since my visit is so near, to keep "all news till we meet".

First, in your letter of the 22nd March, referring to the German payments, I think that the Cannes programme is too heavy for Germany even if the German Government can be induced to adopt a sound fiscal and currency policy.

In your letter of the 28th March you refer to your relationship with the Nederlandsche Bank. I quite agree; you cannot force these friendships nor can you map out a certain formal course of action before the friendship has developed. I am convinced, and have made it my policy throughout, that relations
between

N/S 4/13/22

between Central Banks should gradually develop - I admit on certain fixed lines - and then when one sees how the land lies one may proceed to closer relationships resulting as often as not in "matrimony". I can quite realise that you are not prepared to risk antagonizing your membership by trying to force your attentions where old established relations exist with certain of your member Banks.

I was glad to see from your letter of the 30th March that you had written to Mr. Schnyder. We had a very friendly discussion and I think that I have once more been successful in sowing the good seed. I received a letter from him this morning saying that he had heard from you. I could see from what he said that he was pleased.

You ask for anything of importance which was discussed with Fukai. I am afraid that there was nothing worth mentioning. He had left for Genoa before your letter of the 3rd April arrived.

I am fully aware that I have only skimmed over your letters but you must forgive me as I am very much pressed and there is very little time now
before

In reply

On Board Cun~~ard~~ard R.M.S. "Carmania"

(Handwritten Note)

May 24, 1922

My dear Strongy,

I wonder where you are and how you are? If well, I care not: if ill, I hope in Pratt-land where there is quiet and care and all the rest. I have not much to say, but just listen to me for a moment!!! On the way home last September, I remember that I came to realise and (so to speak) to define your position towards ~~the~~ world in general and towards myself in particular (quite apart from your value at home, which to my mind is wonderful and out of which the foreign position has of course arisen).

I wrote and told you this on board ship.

We foreigners need you as much, if not more than ever: we don't all know it yet but some of us do and others will come to realise it later. Therefore we cannot afford to let you play fast and loose with yourself--least of all in 1922. Yet that is just what you seem to me to be doing if I may be so bold as to say so.

You had a bad shake-up last winter and you have not, as yet, entirely recovered from it. You will surely do so, but it's a question of time: and time means going slow. I want you please to try and go slow--for your own sake as well as for mine. By so doing, I declare you will lose nothing--absolutely nothing--in what you achieve, but you will and can save yourself any amount of wear and tear.

I need not argue this from your side. But from mine I fear lest "wear and tear" should come to mean rest abed and vacation and such enemies which end in loss of touch between you and me and hence loss of contact with the Bank.

I dare say you will jeer at these fears or warnings. I know you point the finger (? of scorn) at me for taking things too easy rather than getting up and doing!! (while we both know that while I have been learning to use an old machine, you have had the job of making a new one--out of nothing).

But you think it all over, my dear fellow, just to please me and without forgetting that I have an excuse for writing all this, for I saw and heard you in Washington and I saw you dumb and weary in New York.

I am glad I came. If you want to harvest a crop you must manure the land months ahead--and forget about it! I may have done some good that way in Washington (both for you and for me) and I mean to try also some in London.

We have had a deal of fog and shall be very late in landing.

As ever,

M. N.
(MONTAGU NORMAN)

Personal.

THORPE LODGE,
CAMPDEN HILL.W.

13th June, 1922.

ACKNOWLEDGED
JUL 6 1922

B. S.

My dear Strong,

I have not written to you since landing at Liverpool, and, letters being mainly historical, I have not much to say to-day.

But you will like to know that Ben has been staying here for ten days, seems quite well and happy, and is now moving into some lodgings which are quite likely to turn out just what he wants. They are so near here that he can come and go for dinner, or to sit in the garden, whenever he wants, and it will not take him more than about a quarter-of-an-hour or cost him more than ten cents to get here!

Yesterday, I received your letter of June 1st, which I brought home from the Bank, and, as agreed, I am going to make a point of writing more or less personal letters to Park Avenue, probably from here, and shall write about nothing but purely business matters to and from the Banks.

As to the Meeting of Central Banks, I can say nothing beyond what I have cabled, for the reason that I am trying to reach a provisional agreement with Visschering and the rest of them, before sending you out a further Draft of the Agenda.

AS/

(over)

As to the Debts questions, the position has been very difficult and very involved since my return, but it is now clearing owing to the Report having been published of the Bankers' Committee sitting in Paris. On the whole, I think their report is entirely right, although I should have liked the points to have been rather differently "stressed". The essential thing is that the Bankers' Committee does not break up, but adjourns, and will therefore be available if the need arises later and ought, I think, meanwhile, to have a certain effect on the Governments concerned towards bringing about ~~a~~ ~~an~~ agreement. Further, they have tied together German Reparations and Inter-Government Debts, and, lastly, I think they hold out no hope that money for Germany can be raised in the various countries until not only the German Reparations, but also the Inter-Government Debts have been adjusted.

Pending this Report, it has been difficult to obtain proper consideration for the Washington Debt question. I told you just what I would do; and, as a matter of fact, by the 8th of this month a strong recommendation was put before the Cabinet, but it has not yet been considered, owing partly to the Paris Committee meetings, and, further, to the dominating difficulties and uncertainties of Ireland, which have been engrossing and may continue to need almost exclusive attention.

Yours most sincerely,

McNorman

Benjamin Strong, Esq.,
470, Park Avenue, New York City.

PERSONAL.

THORPE LODGE,
CAMPDEN HILL.W.

19th June, 1922.

ACKNOWLEDGED
JUL 6 1922
E. G.

My dear Strong,

Ben has now moved into lodgings at 36, Norfolk Square, W.2, which he seems to like and which, I hear, are comfortable and well kept. The only thing against lodgings is that they may make the lodger feel a bit lonely, but we shall find out by degrees how Ben takes to it. Meanwhile, he is perfectly well and interested in life.

As to the meeting of Central Banks, I am awaiting a cable from Tokio before I can get any farther, or communicate with you.

As to the Debts question, it is quite decided that no Commission or Representative will at the present time be sent from this country to discuss matters with the Refunding Commission in Washington. I imagine a communication will shortly be made to the State Department which is likely to state that the question of Funding cannot be considered before consultation with the Allies. In other words, the whole question will be held up, without commitment being made either way.

This is far from what I should like to see done; -

far/

(2)

far from what I advised. It keeps matters in suspense, whereas, if we were to adopt a policy of "casting bread upon the waters" here and now, a breach, or series of breaches, would at once begin to shew in the vicious circle of the Austrian debacle, of German Reparations, ^{of} ~~and~~ Exchanges, of French Credits and Debits, and so on.

Very sincerely yours,

dlr.

Benjamin Strong, Esq.,
470, Park Avenue,
New York City,
U.S.A.

B.S., during a private conversation with A.W. Mellon,
may say :-

"I guess M.N. cannot make any headway in London
"about the question of Refunding, - and it is soon likely
"to come up for discussion among the Allies.

"A modification of the cash payments due from Germany
"for Reparations in 1922 and 1923 is probable, along with
"increased taxation and increased control by the Commission -
"and, in consequence, no reduction of the Schedule of
"Reparation payments during that period.

"Hence the Report of the Bankers Committee in Paris
"(which includes J.P.Morgan and R.M. Kindersley) is not
"likely to produce any direct result.

"All this points to a continuing period of economic
"uncertainty and instability -- with no settlement of
"inter-government Debts, no improvement in Central
"Europe, and no revival in general trade."

*
22nd June, 22.137
139

My dear Strong,

Just a line to acknowledge your letter of the 18th May and to let you know that Mr. Nagaike presented your introduction yesterday.

He talked to me at some length and on a variety of subjects but somehow has not left as favourable an impression as either Mr. Fukai or Mr. Nakane. I think too that his proper esteem for Central Banks is somewhat tempered by envy of the others and their freedom.

With kindest regards,

Yours most sincerely,

Ed M. Norman

Benjamin Strong, Esq.

FRIDAY, JUNE 21, 1822. Price 7d.

A very lively sensation was produced yesterday on the Royal Exchange by an intimation that the Court of Bank Directors had adopted the resolution of lowering the rate of discount and of receiving bills in future at 4 per cent. This measure, which has for a long period been anxiously solicited of the Bank by the monied and mercantile interests, and which has been also, it is understood, urgently required of them by Government, has been so long withheld that when announced it was quite unexpected. The motives of the Bank for selecting this period probably are that after the present month the reduction of the interest of the Navy 5 per cents. will be completed, and as there will then remain no 5 per cent. stock of the Government, a higher rate could not be with propriety asked for commercial discounts. On the funds and on the foreign securities circulating in this country this measure is likely to produce some effect, nearly all of them having experienced an advance in value soon after it was announced. Consols for the account, which in the morning stood at $80\frac{1}{2}$, left off at $81\frac{1}{2}$. No time is lost by the Bank in carrying their resolution into effect, as the new measure will be in full operation on Monday next.

* * *

PRIVATE.

ACKNOWLEDGED

JUL 6 1922

Bank of England

London, E.C. 2

23rd June, 1922.

My dear Strong,

I was as much surprised as pleased to receive your cable No. 14 as to your rate being reduced on the 21st, for your earlier cables did not lead me to expect that your hands would be free enough to make this change. I daresay you had a tussle about it and I am very glad that you have got your way (for that I am sure is what has happened), partly on the merits of the case and partly because I judge that you no longer fear a boom on the Stock Exchange or a great rise in commodity prices.

The enclosed cutting may amuse you. I read it just before your cable arrived with a sort of presentiment that it might refer to New York instead of to London and that the date should be the 22nd June, 1922, and not 1822!

With kindest regards,

Yours most sincerely,

DiVona

Benjamin Strong, Esq.

PRIVATE.

ACKNOWLEDGED
JUL 14 1922

Bank of England

London, E.C. 2

23rd June, 1922.

My dear Strong,

1. I have received your letter of the 12th June with its enclosure of correspondence that has passed between you and Mr. Bachmann. I quite agree with your answer to him.

2. I told you on the 3rd June (my cable No. 90) that I was endeavouring to agree the Agenda for the Bankers' Meeting with various persons in Europe, and I now send for your information a print (though still a draft) of both parts of the Agenda corrected so far as possible up to date.

I think I may say that Dr. Vissering and Mr. Moll approve it in principle.

I also gave a copy to Mr. Fukai who promised to obtain by cable the agreement or objections (as the case may be) of the Bank of Japan. So far no reply has been received from Tokio; Mr. Fukai has now left England, but I expect to have an answer from Mr. Nakane in the course of a few days.

PRIVATE.

Page 2.

Benjamin Strong, Esq.

23rd June, 1922.

I have also sent copies to Havenstein and Schnyder de Wartensee (who is now my "correspondent" at the National Bank of Switzerland) as well as to the Reserve Bank of South Africa and the Imperial Bank of India.

Beyond a few verbal changes you will not find any alteration from your draft until you come to Clause 8 of Part I., which is as mild as milk and has been thought necessary in order to conform with Resolution 15 of the Report of the Genoa Conference. As with your free market this clause does not affect you, I hope no objection will be raised; and will you please send me a cable as soon as you have had time to study the enclosure, stating in general terms whether it will meet your requirements. Resolutions 5, 6 and 7 in Part II. have also been rather enlarged in accordance with the final phrasing of the Genoa version.

3. As to the list of Banks whom it is proposed to invite, I am taking the advice of Vissering, who is rather an expert on these questions, and until I

hear

PRIVATE.

Par

Benjamin Strong, Esq.

23rd June, 1922.

hear from him I cannot send you one which will be any more useful than that which I left with you. But I will do so with as little delay as possible.

4. With regard to the letter of invitation, I do not think any change will be needed in the wording which you gave me to bring away from New York.

Yours most sincerely,

Hirshman

Benjamin Strong, Esq.

PRIVATE.

ACKNOWLEDGED

JUL 14 1922

Bank of England

London, E.C. 2

28th June, 1922.

My dear Strong,

As promised in my letter of the 23rd instant, paragraph 3, I now send you -

- (1) List of Banks whom it is proposed to invite to the Meeting in September or October. This list has been agreed by Vissering.
- (2) List of Banks whom neither we nor Vissering think should be invited.
- (3) List of Banks about whom we are uncertain.

With regard to (3), I shall be glad to know your opinion and your wishes. Vissering thinks the Bank of Java ought to be invited but it is difficult to include them and to exclude the three Banks in South America. Similarly, Vissering thinks the Bank of Esthonia may be entitled to rank, but we are including no other Bank of a new or succession country and the position of this Bank as well as that of its country cannot be other than uncertain.

Please let me know your opinion about these five Banks and any other changes you may wish to make

PRIVATE.

Page 2.

Benjamin Strong, Esq.

28th June, 1922.

make in the accompanying lists.

With kindest regards,

Yours most sincerely,

Hirshman.

Benjamin Strong, Esq.

LIST OF BANKS TO BE INVITED

Federal Reserve Bank
Bank of Japan
Bank of France
National Bank of Belgium
Bank of Italy
Netherlands Bank
Bank of Sweden
Bank of Norway
National Bank of Denmark
National Bank of Roumania
National Bank of Switzerland
Bank of Spain
Reichsbank
Bank of Portugal
Bank of Finland
National Bank of Bulgaria
National Bank of Greece
South African Reserve Bank
Imperial Bank of India
National Bank of Egypt

Making 20, which personally I think quite enough.

LIST OF BANKS NOT TO BE INVITED

Commonwealth Bank

Chartered Banks of Canada

Bank of Ireland

Imperial Ottoman Bank

National Bank of S.H.S. (Serb - Croat - Slovene)

Hungarian Office of Note Issue

Austrian Office of Note Issue

Banking Office at Prague (Bank of Czecho-Slovakian
Republic)

Polish Territorial Loan Bureau (Polish National Bank)

State Savings and Credit Bank of Latvia

Bulgarian Office of Note Issue

LIST OF BANKS ABOUT WHOM WE ARE UNCERTAIN

Bank of Esthonia (Esti Bank)

Bank of Java

Banco do Brasil

Reserve Bank of Peru

Banco de la Nacion Argentina

ACKNOWLEDGED

JUL 18 1922

CONFIDENTIAL

Bank of England

5th July, 1922.

My dear Strong,

I have your letter of the 20th ultimo, enclosing a copy of the amendment to the constitution of the New York Clearing House Association.

With us the Bankers' deposit rate moves generally, but not precisely, with the Bank of England rate, the rates of the Discount Houses for money at call or at 7 days' notice moving in sympathy. Whenever an alteration is made in our Rate a Meeting of the Clearing Bankers is held at which the Bankers' deposit rate is settled until further notice. In pre-war days the Bankers' deposit rate used to be fixed at $1\frac{1}{2}\%$ below ours, but for some time past, it has been 2% below - first of all because our rate was very high and they did not think it wise to go above 5% , and latterly because with declining rates and little demand for advances they did not wish to encourage their customers to put money on deposit. I think it may therefore be said that the difference between the

the Bank of England Rate and the Bankers' deposit rate is arbitrary and is fixed wherever the Bankers think it will be most to their profit and advantage.

After the Meeting of the Clearing Bankers to which I have alluded above, a Meeting of the Discount Houses is held, at which the rate for their money at call is usually fixed at the Bankers' deposit rate while that for their money at notice at about $\frac{1}{4}\%$ above.

Broadly speaking, as you know, all rates for advances are fixed in relation to the Bank Rate including the rate at which documented Bills may be retired before their maturity.

I quite agree that it is unsatisfactory, and perhaps embarrassing, for you to have this mathematical scale of rates fixed by the Clearing House for their various deposits in relation to your rate of discount, but I should imagine, as you suggest, that the time will come when either owing to their anxiety to attract money or from fear of losing what they have got they will be jolted out of this static schedule. Such a happening would be only natural for after all every-
thing

everything to do with finance ought to be dynamic.

Personally I agree most with the third reason you give for opposition. I hardly see that you need be saddled with responsibility for rates you have not really considered (No.1) or that you are bound to take notice in fixing your rates of their effect, as the result of Clearing House decisions. But the idea of comprehensive control is indeed repugnant to your people and may give rise to complaints against all the banking community.

With warmest regards,

Yours most sincerely,

W. Roman.

Benjamin Strong, Esq.

THORPE LODGE,
CAMPDEN HILL.W.

PERSONAL.

6th July, 1922.

My dear Strong,

Ben was here three days ago. He was quite well, and both contented and comfortable in his lodgings, food, etc. I fear he is finding Schröder's Collection Department rather dull. That is perhaps inevitable, because it is mechanical work; but, as I tried to explain to him, there is a world-reason in all these collections which he is putting through, and the object of his coming to London is to hitch the reason on to the detail work.

Politically speaking, we have of course been dominated by the fighting in Ireland, and, if the World has learnt anything from watching its course, it should certainly have learnt that the Irish can fight just as well among themselves as they can against the British! In fact, most of them cannot exist without fighting!

This has rather dwarfed the questions of Allied Debts, German Reparations and Austria, all of which hang together. As to the first, I was pessimistic when I wrote to you a week or so ago, but I rather think Opinion -- and, *perhaps* indeed, political opinion -- is moving our way. In fact, I

would /

6th July, 1922.

would not be surprised if some action were taken, but I do not know on what lines. Meanwhile, the despatch to France and Italy is pretty well drafted and agreed, and may be sent off before anything else is done: *I don't know what to expect.*

As to the German Reparations, the whole position has been made much more difficult by the murder of Rathenau, which has been followed by a big depreciation in the Mark. The Germans now have not got the money wherewith to make their payment on July 15th. Most of the money that the Reichsbank had with us has had to be used for paying for imports and cannot be replaced at once, so the instalment will either be paid by a loan which we may make to the Reichsbank for the purpose, or they may ask the Reparations Commission for time, - and, in the latter case, Poincaré is almost certain to insist on further internal control.

As to Austria, the prospects of a loan from New York and London Bankers is virtually out of the question, and, indeed, it is clear to all that the security to be found in Austria is more and more dependant on the "equilibrium" of Germany. Nor, is the British Government going to find them any more money. It has had to be decided within the last few days whether or no they should receive further financial support, and the answer is, that no more good money is going to be thrown after the bad which has already been doled out. Hence, I expect

in/

6th July, 1922.

in a few months to see the Austrian Government unable to carry on, make a bow, and appeal to the Powers. After that, one can foresee nothing, but it is possible that the existing Austrian Provinces will gradually cut themselves off from Vienna, with the idea of uniting themselves to the adjacent countries. Or, alternatively, Italy, for instance, may step in and take a sort of Mandate in order to preserve peace and to prevent a break-up. It is all very obscure.

Yours most sincerely,

Her.

I am thankful for your
good & cheering letter
- in your own hand - of
June 15 -

Benjn. Strong, Esq.,
470, Park Avenue,
New York City, U.S.A.

C O P Y

TRANSLATION OF CABLEGRAM

London, England

Rec'd July 8, 1922.

Federal Reserve Bank

New York, N. Y.

No. 4 STRICTLY CONFIDENTIAL FOR GOVERNOR:

First:- Your 20 paragraph 3. Cannot estimate extent of gold shipment but not less than \$30,000,000

Second:- Please do your utmost to avoid alterations in agenda because as you know it has already been approved by several bankers. But in paragraph 2 we might well eliminate words wherever situated

Third:- Subject to your convenience early October suggested for date of meeting

Fourth:- Regarding funding negotiations I hope British representatives will reach Washington by middle of September though nothing is yet settled

Fifth:- Examination of Austrian conditions has just been completed on behalf of J. P. Morgan & Company and Austrian minister will be informed tomorrow that present position too unstable to make loan possible

Bank of England

FEDERAL RESERVE BANK
OF NEW YORK

Translation of Incoming
CABLEGRAM

Date 7/14/22

From Bank of England
London

No. C 38

TRANSLATION OF CABLEGRAM

London England.

Rec'd July 14, 1922.

Federal Reserve Bank,

New York, N. Y.

#8 STRICTLY CONFIDENTIAL FOR GOVERNOR: Your #22

I am sure you will not allow your friends in Washington to forget that the first question referred to proposed meeting is how best to give effect to the practice of continuous co-operation among central banks.

I mention this after rereading your #20 paragraph 3.

Bank of England.

Our #20 paragraph 3: Can you estimate probable extent of movement

CONFIDENTIAL.

JUL 26 1922

Bank of England

London, E.C. 2

15th July, 1922.

My dear Strong,

I have not written to you much of late for the reason that the matters in which we are interested have been altering and varying from within and without with the quickness of a kaleidoscope; so I have done no more than send an occasional cable in which I have tried to give you no more than the meat in the various eggs.

1. But your cable No.23, received to-day, raises (in its last sentence) a point over which we may be at loggerheads. The point is why paragraph 3 of your cable No.20 suggested doubts in my mind as to whether Governor Harding and the others in Washington realised ^{what was} the primary question referred by the Genoa Conference to the proposed Meeting of Central Bankers as I stated it in my cable No.8.

On thinking over this question, namely, your approval of the form of the draft Agenda, it occurred to me that you regarded the further Conference in Washington as essential before making even tentative commitments

commitments as to principle 2, and principle 2 I understand to be the "policy of continuous co-operation" as stated in paragraph 2 of Part I. of the Agenda. In other words, I feared that your discussions in Washington would centre round the "making of tentative commitments" as to the "policy of continuous co-operation", which policy is in fact the primary question referred to the Meeting of Central Banks by the Genoa Conference.

I may have misunderstood paragraph 3 of your cable No.20, but there is my explanation; of little more than academic interest when you receive this letter.

2. Regarding funding negotiations, I have nothing further to say at the moment, except that the middle of September mentioned in the fourth paragraph of my cable No.4 may become early October, for the reason, as I hear, that Mr.Mellon or Mr.Hughes or some other member of the Commission plans to be away from Washington throughout the month of September.

3. With regard to Reparation payments, the amount due to-day is being paid, and that I imagine will be the last payment in cash this year - in other words, some

Confidential.

Page 3.

Benjamin Strong, Esq.

15th July, 1922.

sort of a temporary moratorium for cash payments will be arranged in Paris during the next week or two, probably for the year 1922 only.

4. With reference to the date of the Meeting of Central Bankers, for which early October has been suggested, I think you must regard this date as being somewhat dependent on the funding negotiations mentioned above. It probably would not be convenient, and it might turn out to be impossible, to have the negotiations in Washington and the Meeting in London going on at the same moment.

5. As to Austria, conditions are going from bad to worse, and I daresay the immediate future of Austria will have to be taken in hand by the Supreme Council or by a meeting of the Allied Prime Ministers during the next few weeks. At the moment the alternative prospects - if an Austrian Government cannot continue to function - seem to be some sort of union with Germany, some breaking away of the Austrian provinces from Vienna and their economic joining up with their various
neighbours,

Confidential.

Page 4.

Benjamin Strong, Esq.

15th July, 1922.

neighbours, or some sort of agreed mandate permitting a Foreign Power, e.g., Italy, to administer and police Austria for a couple of years.

With warmest regards,

Yours most sincerely,

Hisoman.

Benjamin Strong, Esq.

P.S. I rather hope to go abroad for a couple of weeks about the 6th August.

His.

FEDERAL RESERVE BANK
OF NEW YORK

Translation of Incoming
CABLEGRAM

Date

July 20/22

From

*Bank of England
London*

No. C

39

*Read by
Mr. Jay*

TRANSLATION OF CABLEGRAM

London England.

Rec'd July 20, 1922.

Federal Reserve Bank,

New York, N. Y.

No. 10 STRICTLY CONFIDENTIAL FOR GOVERNOR:

First:- Report stated to have been published in your newspapers yesterday appears in our newspapers today to the effect that debts due to Great Britain are to be cancelled. For your information these reports are inaccurate and at present no such cancellation is likely.

Second:- My #4 second paragraph on account of long standing arrangements of Riksbank Moll now desires omission of word exclusively in part 1 paragraph 5 I do not think such omission would really affect principle involved in the clause.

Bank of England.

5

*

26th July, 1922.

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11

My dear Strong,

Referring to your letter of the 21st ultimo, I write to let you know that Mr. Saunders visited me about a fortnight ago, that we had a pleasant chat, and that I hope to see him again later on in the summer.

With kindest regards,

Yours very sincerely,

(SIGNED) M. NORMAN.

Benjamin Strong, Esq.

FEDERAL RESERVE BANK
OF NEW YORK

Translation of Incoming
CABLEGRAM

Date July 26

From Bank of England
London England

No. C 40

TRANSLATION OF CABLEGRAM

London, England.

Rec'd July 26, 1922.

Federal Reserve Bank,
New York, N. Y.

#12 STRICTLY CONFIDENTIAL FOR GOVERNOR:

First:- I anticipate a request will shortly be made by Great Britain for payments by the allies of their war debts to the extent payment is required from Great Britain by the United States. A bad impression is likely to result in Europe and America together with a worsening of any prospect of adjustments of a reparation payment. Real object of request is probably to induce France to face realities although object may appear as an attempt to induce United States to make concessions regarding funding of the debts due by Great Britain.

Second:- It will do no harm if your newspapers express strong disapproval of the apparent object as they expressed approval at the prospect of cancellation mentioned in my #10 first paragraph. After publication of request you may be able to take action accordingly.

Third:- Business community here has generally come round to the view that the sooner British representatives reach Washington and the sooner funding is completed the better.

Bank of England.

Translation of Incoming
CABLEGRAM

Date 8/2/22

From Bank of England
London

No. C 42

TRANSLATION OF CABLEGRAM

London England.

Rec'd August 2, 1922.

Federal Reserve Bank,

New York, N. Y.

#15 STRICTLY CONFIDENTIAL FOR GOVERNOR:

FIRST:- As result of conversation with Peacock, please consider
the following.

SECOND:- Can you not suggest to Mellon that he should intimate
unofficially to Horne his desire that Horne himself should
go to Washington as a British representative.

THIRD:- As this idea is put forward without authority please do
not disclose its origin. On the other hand I am, of
course, at your service as an intermediary.

Bank of England

Underlined word mutilated:

CONFIDENTIAL. ACKNOWLEDGED

AUG 24 1922

Bank of England
B. S.
London, E.C. 2

9th August, 1922.

My dear Strong,

Your personal letter of the 27th July has just arrived.

Although my door is indeed always open, I think it might be a good plan for you to go to an hotel for *ashat* while and it certainly would be a good plan for you to bring Ernest.

But it is too early, as you will have learnt from my cables, to make definite plans. We cannot fix a date for the Meeting of Central Bankers because no date or period can be fixed for the Washington Conference on Debts. If, as seems likely, the latter will take up most of October, it will be necessary to postpone the Meeting of Central Bankers until November at least.

There you have my views as promptly as possible and as far as they are or can be definite. Further, I may say that I should not suppose you would need an expert adviser or associate. My hope is that the Agenda will be agreed (as to both parts) with practically no alteration, and to this end I seem to be getting vague sort of promises from all the more important Banks. When you come to France, Italy and Belgium they may stand out, but that can't be helped. Once the two parts of the

Printed

printed Agenda have been agreed it will be open to anyone ^{at the Meeting} to raise, more or less informally, questions of general interest; but it is not anyone's intention, so far as I am aware, to agree to anything beyond general and rather vague principles.

I have had a long talk with Peacock and quite understand from him, as well as from yourself and from my knowledge of your situation, that you need to be cautious.

By the time this reaches you the outcome of M. Poincare's visit will be known: at the moment it looks well-nigh hopeless and I have never thought the immediate future of Central Europe looked blacker than it now appears to look. I cannot conceive how some sort of a break-up of Austria is to be avoided long before the end of the year; nor do I see how a condition very near to civil war can be avoided in Germany. It seems utterly impossible for the British Government to see eye to eye, or even to come to terms, with the French Government in respect of the methods to be adopted in dealing with the enemy countries.

Of course you are ripe for a holiday and the best thing you could do would be to get on the boat right away and come over here if only for two or three weeks. I should have gone holiday-making by now but for one or two nasty questions which have to be settled this month.

With warmest regards,

Yours most sincerely,

His name

Benjamin Strong, Esq.

P.T.O.

Confidential.

Page 3.

Benjamin Strong, Esq.

9th August, 1922.

P.S. I have not answered your questions as to a trip either in England or on the Continent (bottom of page 1 and top of page 2).

The time of year is likely to be bad if your idea is to travel for pleasure. If, on the other hand, your idea is to travel for the purpose of seeing the various Central Bank people, then I think it impossible to settle your itinerary until the time for starting is at hand. Moreover, if you ^{will} have just attended a Meeting of Central Bankers here, I should hardly think it would be necessary for you to call on the same persons in their own cities so soon afterwards. But there, a deal of water must flow under the bridge before we can see our way ahead as far as your trip!

dlr.

THORPE LODGE,
CAMPDEN HILL.W.

17th August, 1922.

My dear Strong,

The Allied Conference made things very difficult and very uncertain here while it lasted, and, so far as knowing what is going to happen is concerned, we are now as completely in the dark as ever. In fact, the battle, which was originally passed on by the Reparation Commission to the Prime Ministers, is now transferred by the Prime Ministers to the Reparation Commission.

Therefore, while we know nothing definite as to what will happen regarding Germany, I myself believe that Bradbury is strong enough to obtain a Moratorium for cash payments for the rest of this year, but I realise that this would not, of itself, prevent a default as regards payments in coal or timber, etc.,

But we seem to know pretty definitely that none of the Allies will do anything more for Austria, and I do not see why various portions should not be fighting against the Central Government within a comparatively short time, - if, indeed, any Ministers can be persuaded to carry on an Austrian Government for even a brief period!

The /

The extreme uncertainty which these conditions are bringing about throughout Central Europe is in itself, it seems to me, a fairly good reason for not holding a Meeting of Central Bankers yet awhile. The very relations between the Banks of the countries represented on the Reparations Commission would be strained; while Havenstein at least would probably feel himself in a very awkward hole. In other words, I see no prospect of holding a meeting in October. But, apart from these reasons, which seem to me sufficing, I think it more than likely that the month of October will see me in Washington again in connection with the Refunding Questions. So far, this is only surmise, and nothing is likely to be settled for several weeks. But, as you would not induce Mellon to cable to Horne, I had to deliver an imaginary message, and it is quite likely that the result may seem to justify it."

You will be sorry to hear that Addis had a serious operation yesterday, when some obscure bit of his inside was removed, but he got through it well, and has such physique and determination, that I hope he will now make a complete recovery.

I have had several talks with Peacock, and thus have seemed to get closer into touch with you than by any other means - except personal contact. I think it is a pity you have not been over here this month, for it is more and more

evident/

evident to my eyes that only by a system of continuous visits can we keep in touch.

Incidentally, I have been greatly surprised at the small effects, both practical and sentimental, which you seem to have suffered from the Coal Strikes. Considering their ramifications into all sorts of Railroad labour and the bitterness which has been shewn in some places, I cannot imagine why your newspapers have not taken the Strikes more seriously, and why the Strikes ^{selves} them/have not done more to bring you all to a standstill.

I have not seen Ben for two weeks, but then it was that I took a meal with him and inspected his lodgings. Very quiet and comfortable, though modest.

Yours sincerely
William

Benjamin Strong, Esq.,
470, Park Avenue,
New York City, N.Y.

(Copy of handwritten letter)

Holland, Sept 21, 1922

My dear B.S.

I am writing this in Holland, where I have been off & on for 3 weeks. And I do so just to pick up the broken threads which were left dangling a full month ago. It was about that time, while I was still following the daily round in London, that I was suddenly, "put on my back" by a bad throat, which for a week or 10 days made life miserable, & I only just escaped what used to be called "Quinsey"! However that was just a stroke of bad-luck which might have happened to anyone: & now that I have been leading a "vegetable" life for several weeks I am fit again & mean to go back to London about Sept. 27th.

I can tell you nothing about business except that I have seen Vissering this week who told me about his correspond^{ce} with your bank: he is very disturbed about the future & not very well, indeed I guess he will have to go away again for a month or two.

Nor can I tell you about young Ben.

I still have the idea (quite between you & me) that I shall be in Washington next month - but since I left London plans may have been altered. This reminds me that I have never heard whether Gov. Harding was reappointed for another term?

I gather from what is translated from the Dutch papers that Austria is tottering (but may continue to totter) that the internal state of Germany is worsening & may soon bring dis orders while there is no prospect of a real settlement of Reparations payments & that anything may happen in Asia Minor - with Greece & G Britain on one side & Turkey & France on the other!!

Such is Peace! I hope you are well.

As ever

M. Norman

whether Gov. Harding was reappointed
for another term?

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the Dutch papers that Austria is tottering
(but may continue to totter) that the internal
state of Germany is worsening & may
soon bring disorders - while there is no
prospect of ^{real} settlement of Reparations
payments & that anything may happen
in Asia Minor - with Greece & Britain
on one side & Turkey & France on the other."

Such is peace! Hope you are well
as ever
Miss Man.

Holland
Sept 21. 1922

~~ACKNOWLEDGED~~

OCT 2 1922

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Nor can I tell you about young Ben.

I still have the idea (quite between you & me) that I shall be in Washington next month - but since I left London plans may have been altered. This reminds me that I have never heard

15
24

*

25th October, 1922.

with Governor

My dear Strong,

I think you would like to see the full text of Sir John Bradbury's latest memorandum on the Reparation question and I am therefore sending you a print of the document which I have just received from Paris.

Yours most sincerely,

(SIGNED) M. NORMAN.

Benjamin Strong, Esq.

as

CONFIDENTIAL.

B. S. Bank of England

NOV 15 1922

London, E.C. 2

ACKNOWLEDGED

31st October, 1922.

My dear Strong,

Although I have been in London for the past month, I have hardly written to you because of the continuing likelihood of my sailing to New York on the way to Washington. There have already been three postponements and the position now is that a Mission of some kind may leave at the end of November or roundabout the New Year. Pending the result of the General Election, it is impossible for the present Cabinet to fix the date or its composition; they obviously lean to the later date as it gives more time for them to find their feet.

As to the composition of any such Mission, Horne would still be willing to go (though no longer a Minister) if invited to do so by the Government of the day; but subject to the results of the General Election, I should think it more likely that the new Chancellor, Stanley Baldwin, would take his place. Baldwin is a level-headed, somewhat blunt man with a certain amount of charm and with a capacity for getting on with his fellow men, especially in Parliamentary circles. I should say that even if he is not clever he has plenty of common sense.

The dissolution, though long-expected, came rather suddenly like a thief in the night. Perhaps we must

consider

CONFIDENTIAL.

Page 5.

Benjamin Strong, Esq.

31st October, 1922.

re admit

extent their business has lain in remote parts of the World and especially South America, and partly because their position in London depends upon their interests in the New York and Valparaiso Houses. We have decided to support them for the conduct of their business until the end of 1923, by which time we shall know exactly ^{how} they stand and what are their prospects; meanwhile they are entirely good for their engagements.

I take the opportunity to send you an article by R.G.Hawtrey of the Treasury on the Genoa Resolutions on Currency extracted from the Economic Journal of September. Hawtrey is extraordinarily clear and clever, but he seems to me to treat his subjects as if they existed in a vacuum; whereas, as we see more and more, Currency and Finance are continually at the mercy of political and psychological and international and incalculable influences.

Lastly, I acknowledge your confidential letter of the 18th October received to-day. It seems to need no particular answer. But if the conditions which you describe as "something of a boom" are going to push your rate up, be sure and give me early warning. Apart from your conditions, I see no reason to expect a change here, but I am aware that some of your friends on Wall Street are already carrying Stocks or borrowing money in London.

With warmest regards,
Yours most sincerely,

Di Roman.

Benjamin Strong, Esq.

Secret

31. Oct. 1922

Bank of England

Dear Ben.

On Nov 9th (or possibly 16th) our plans will be announced for the year beginning April 1923.

They are as follows:

Trotter ceases to be Depy. Govr. + becomes an ordinary director. he wishes to attend to his private business which is not doing well. Lubbock becomes Depy. Govr: perhaps a student by nature : a brewer; by trade: clever, industrious, charming as you will remember. But he will have to begin at the bottom to learn in detail about "the market", Stock Exchange, Foreign Exchanges + generally the technical side: He is just about our age + seemed to us the most suitable man among us who is available for the job.

I continue as Governor.

(+ my so doing may raise some criticism, as it will be my fourth year + people prefer the Rotation: But how swop horses just now?)

Bless you.
[signed] MN-

ACKNOWLEDGED

NOV 20 1922

CONFIDENTIAL

Bank of England
London, E.C. 2

8th November, 1922.

My dear Strong,

As you will see from Sir Reginald's note, which I enclose, he is only too pleased to let you see the original Menu to which you refer in your letter of the 16th October. I am sending it to you frame and all under separate cover, instead of having it photographed for you, because it occurred to me that the document itself might best serve your purpose. Be sure and send it back - or you will get me into trouble.

I have received your letter of the 25th October with the Newspaper cutting of Sir George Paish's speech. I am surprised that even he should show such ignorance of the facts regarding the gold; but he is now being kept pretty busy as Parliamentary Candidate in opposition to the Prime Minister, Mr. Bonar Law, which may teach him a few new facts.

With kindest regards,
Yours most sincerely,

Di Roman

Benjamin Strong, Esq.

From Rear Admiral Sir W. Reginald Hall, K.C.M.G., C.B., M.P.,

3^B. Dean's Yard,

Westminster, S.W. 1.

Personal.

27th. October, 1922.

My dear Norman,

I am delighted to read the letter from Benjamin Strong, and when you reply to him, do ask him if he remembers our tea party in my room, which I venture to say was the most expensive tea party he ever attended, but his appreciation and generosity at that time have never been forgotten by those who were privileged to be present.

I send the original of what he asks for, and hope that when he is finished with it he will let me have it back as I do rather value it. It is the only one in England.

I am,

Yours very sincerely,



HALL

Montague C. Norman Esq., D.S.O.,
Bank of England,
E.C.2.

Secret.

31. Oct. 1922.

Bank of England

~~Dear Ben.~~

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plans will be announced for the
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They are as follows:

Stotter ceases to be Dep^y Gov^r. &
becomes an ordinary Director - he
wishes to attend to his private
business which is not doing well.

Subbock becomes Dep^y Gov^r: perhaps
a student by nature: a brewer by
trade: clever, industrious, charming
as you will remember. But he will

11/6.3
in detail
have to begin at the bottom to learn,
about "the market", Stock Exchange,
Foreign Exchanges & generally the
technical side: He is just about
our age & seemed to us the most
suitable man among us who is
available for the job.

I continue as Governor.

(If my so doing may cause some
criticism, as it will be my fourth
Year & people prefer the Rotation:
But how swap horses just now?)

Bless you.

Miv.

CONFIDENTIAL

ACKNOWLEDGED

DEC 21 1922

R. S.

Bank of England

London, E.C. 2

27th November, 1922

My dear Strong,

There are very few matters of interest which give me occasion to write to you in continuation of my letter of the 31st October, although I have since received your letters of the 3rd and this moment of the 15th.

1. The results of the General Election indicated a more decided swing to the right than had been anticipated even by partisans of the Conservative Party; that is to say, the Government of Mr. Bonar Law has a majority in Parliament of 70 or 80 over all the other Parties combined and in consequence there is no reason why we should not have a stable Government for several years, except for the fact that we live amongst uncertainties of every kind.

This majority has been gained chiefly at the expense of the two Liberal or Centre Parties, viz., the followers of Mr. Lloyd George and Mr. Asquith, whose numbers are practically equal, and together somewhat exceed 110. On the left the so-called Labour Party have about 140 seats (the total number of seats being only 615 now that Southern Ireland is without representation) and comprise a certain number of extremists, but on the whole a resolute and probably useful Opposition.

The immediate differences between the

Government

Government and the Opposition are likely to be seen most clearly in their attitudes towards unemployment and the so-called "right" either to employment at standard rates or to maintenance.

2. You are already aware from my cable that the new Chancellor, Stanley Baldwin, has arranged to sail for Washington on the 27th of next month, taking me with him in addition to a Secretary and an Official from the Treasury, so that there is no change in the party as it was selected by the late Chancellor. But Sir Robert Horne was a bachelor while the present Chancellor will be accompanied by Mrs. Baldwin which may or may not help matters. Mr. Baldwin has quite made up his mind (and wisely so in my opinion) that this is a business enterprise. To that end he intends to go straight to Washington, to stay there and to avoid publicity of every kind. Horne, who was a very good "mixer", had a vague idea running in his head that if he were to address a few suitable audiences immediately after his arrival on your side he would do something to convert the American public to his way of thinking on the Debt and other questions and would so obtain the sympathy of your public and the goodwill of the Funding Commission. Baldwin has no such illusions and means to do his talking with the Commission and to spend the rest of his time in the comparative quiet of the Shoreham Hotel.

3. You may be interested to know that Sir Robert Horne, (who was returned for a Glasgow constituency by a good majority) has abandoned the practice of Scottish Law (to which he had devoted his life until, owing to War conditions, he went
into

into Parliament and became a Minister) and is taking up a commercial position. Last week he was elected Vice-Chairman of Baldwins, Ltd., a large steel concern of high standing, which curiously enough was the business of the family to which the new Chancellor belongs. Certainly it was built up by the father and grandfather of Stanley Baldwin who himself only left it to take up a political career. Horne will eventually become the Chairman and so I expect the head of this concern and I should think he is well-adapted for the position. Before the War he had a great deal to do with the Northern Trades Unions. During the War he was much concerned with general labour conditions and in addition to his legal training he has since acquired a good knowledge of economics and finance.

4. The Revenue has been coming in so well during the past six or eight weeks that the Market has continually been pinched for money and in spite of disbursements by the Government, including certain repayments on capital account, the floating debt has not increased. On the first of next month there will be a week or two of ease in consequence of the payment by the Government of large dividends, but I do not look for any real change in conditions for some time to come. There is a general talk about improvement in trade but I fear the wish is rather father to the thought, except for the fact that the Autumn months always see large movements of grain and cotton and so forth.

5. My cable No.54, added to the information which had already been sent, will have told you just about how the

Austrian

Austrian prospects stand. Certainly the internal conditions of Austria are somewhat improving and Seipel, the Chancellor (a priest you know and perhaps the only strong man in Austria) deserves great praise, but the ultimate working out of the League's programme depends -

- (1) On the raising of some £25,000,000 in Foreign Loans (and I doubt whether the conditions which were agreed at Geneva make this a possible operation) and
- (2) On the stability of Eastern Europe (and I do not believe this can be obtained without the final settlement of the German Reparations question).

6. The same cable gave you some information on the Allied position vis-a-vis the Reparation question. This we have discussed so fully with J.P.Morgan, in his capacity as member of the Bankers' Committee which met in Paris last May or June, that he can enlighten you by word of mouth better than I can do by writing; but I may just enclose for your personal information a short and lucid Memorandum which was drawn up confidentially a few days ago, so that the present Prime Minister and Chancellor (coming new to the question) should know where they stood vis-a-vis the French proposal for an early Conference at Brussels.

7. The only news within these four walls is the death of Mr. Johnston who had been a Director for 30 years and was Governor 12 or 14 years ago.

As regards Rebuilding, plans are gradually being elaborated in continuation of the general lines which as you know have been agreed, and we are at this moment taking steps to obtain an Act of Parliament to obviate any difficulties which might otherwise arise over the use of the graveyard, which belonged a couple of hundred years ago to the Church of St.Christopher-le-Stocks.

8. I beg you to arrange your affairs so that you spend some time in Washington while I am there. Obviously I shall not be able to run about the country much nor would it be wise for me to do so, but you might help me to keep in touch with facts and sentiment in America in general and with you yourself in particular.

With warmest regards,

Yours most sincerely,

Dissonance

Benjamin Strong, Esq.

Personal.

LONDON, E.C.



30

1. 30 PM

OCT 1919

4 OCT 1919

Benjamin Strong Esq.

Federal Reserve Bank

New York.

U. S. A.