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ROYAL HOTEL
ÉVIAN-LES-BAINS
(HAUTE-SAVOIE)



July 2. 1928.

Appartient au Groupe
de
HOTELS RITZ CARLTON LONDRES
Même Administration
HOTEL IMPERIAL - MENTON
RIVIERA PALACE - NICE

My dear Mr. Stewart.

I would have written
you from Paris had not the last few
days here been a bit hectic with
cars and cars. You few days
with me, did me more real good
than all the doctors, nurses and
medecins. I wish I could quote
that passage from Elizabeth! do
was the good continued to me. All
I can write you is to express

gratitude and affection and
sent it from my heart.

Our trip here, via Dixon was a
delightful one. We arrived an
hour ago fresh as we started. My
plans are settled by a wire from
Pete advising his marriage not later
than Aug. 30. I don't take much
leave; after Aug 1. For I know the
boy wants me for help & advice,
and he cut out the office if he
isn't in that shape. But since he,
he is so much improved already.

Mr Alan Anderson lunched with me

Friday, and we had a good talk,
leaving me with some new ideas
of the 'situation' in London. If you
can have a talk with him I hope
you will. He may invite it
on his return.

My anxiety about the whole
situation, would be relieved if a
few of your important associates
could induce a full and frank
exchange of views with the Govr.

Now my blessing to you, good
friend and much affection.

Yours

B.S.

[From B. Slingsby] ↗



R

Appartenant au Groupe
des
HOTELS RITZ CARLTON A LONDRES

Même Administration
à
HOTEL IMPERIAL - MENTON
RIVIERA PALACE - NICE

ROYAL HOTEL
ÉVIAN-LES-BAINS

(HAUTE-SAVOIE)

July, 6th 1929

My dear O. Stewart -

I'm writing you just
because I want to, and with no
more excuse than that. It gives
me a chance to announce that
I'm finally better in every
mind and body - and I really
feel that all of my impulses are
beginning to behave normally.
More peace of mind may last

restored this, and you help me
the remedy.

A wonderful letter has just come
from Lubbock. You can keep
him quiet, and I take great
comfort in knowing where you
are. It is suggested that if
Simpson cannot easily come here,
and especially in this hot disagreeable
weather for traveling, we might
have a course of study in Paris.
But I do want to see him and
what ever is decided will be firm.
Common to be looking with letters

and shall try to take the sting out
of our last talk. But I'm adamant
as to the League doing anything
along the lines they propose.

Very Confidentially, the French Ambassador
has inquired of Morgan whether they
can discreetly learn if it will be
acceptable to me to be made "Grand
Officer of the Legion of Honor." I'm
puzzled how we are instructed I am
replying that it will be better to
postpone it. The opportunity will come
if they wish to do it, - when there will

Of the Atlantic Air Flight?

We had some wonderful motor
trips in Paris. Should you happen
to be there at a time when Siepmann
is not there, I can do other guid-
tion some more of the same, and
everyone will be pleased! Also
I can tell you more of my plans for
the future.

Now I shall do what you say
I really never do, and preach
from the standpoint of an older
man with a daughter's experience
of the world. There is nothing



R

Appartenant au Groupe
de
HOTELS RITZ CARLTON A LONDRES

Même Administration
à
HOTEL IMPERIAL - MENTON
RIVIERA PALACE - NICE

ROYAL HOTEL
ÉVIAN-LES-BAINS

(HAUTE-SAVOIE)

in attempting to deal
 with important human
 problems is formulated. There are
 none which fully meet human
 needs where adjustments must
 be made. The Ten ^{axioms} ~~maxims~~ in front
 of the Alpha you studied at school,
 are as cold as a chunk of ice, and
 the Ten Commandments are human
 axioms which are truly understood
 only by those who understand the story
 of David's repentance. All of my

Experience of life, (and sometimes of
••• is me hard) convinces me that
nowhere can one get better ethics
than from the lives and teachings
of Jesus and Buddha. Were there
even two men who were more
convincing examples of human
affection, generosity, tolerance
and even a certain type of
weakness, - favor the world more
in happiness and satisfaction
than do rulers of any kind?

And both were masters! This
may not be "practical politics"

but who gives a damn about
"practical politics" when the day
comes to reckon as to the account?
clearly is this point of view which
gives me more for what purposes
are raised than when the account
kates is. Can this be made to
apply to problems of cooperation,
Korean issues, reparations and
debt and the like? I don't really
know - but instinctively I feel that
one strong vigorous personality
leading "mens minds" decisions
these doctrines, in such matters,

Can accomplish more than can the
Churches and Schools and even
diplomats. Think it over.

How I would enjoy having you
about as in France and Paris.

The day will come, and soon I
hope - meantime this comes
with affection to you.

in love

1914

[From B. Steing b.]



R

ROYAL HOTEL

ÉVIAN-LES-BAINS

(HAUTE-SAVOIE)

July 20. 1928

Appartenant au Groupe
des
HOTELS RITZ CARLTON A LONDRES

Même Administration

HIVER
HOTEL IMPERIAL - MENTON
RIVIERA PALACE - NICE

Dear Dr. Stewart.

You have always wanted
me that was was a poor Correspondent
now I know it! Won't you send
me a few cogent lines in reply,
to the volumes I have sent you?

Things are coming up with me.
My head seems about cured, only
very slight tenderness left, my
stomach is still poor but I have a

but after lunch. - my old colon
has its bad days and probably
will be a nuisance for months, so
that trouble will persist in a
nuisance person despite doctors,
diets and lambs!

I leave for Paris Monday. And
behind me I leave one job done
which will please von. Thacker,
Trevelyan, Bachmann, & French ^{the}
and always have been opposed to
the League inquiry and they will
be a great help. If von's Norman
will take a position there too

will end or and present charges
that we are a lot of the
historic obstructionists, or in
the view of the church, funda-
mentalists. //

Let not write you again, you
oldascal, but I get a nice
letter from you, - even though I
shall always love upon the
writ of a law, love to you
which would excuse you of
neglecting me shamefully hereafter.
Pax vobiscum

P.S.

[From B Slingsby]



AVENUE GEORGE V. PARIS

GEORGE V

July, 26th 1929

Dear Mr. Stewart,

Your letter was delayed by short postage and arrived after Siepmann delivered your message. It relieved my mind to have them come in that order, as otherwise I would have been anxious lest I was returning too soon and should make an effort to see you again. Every experience you have now had in a few months time, I have also had for three or four years past. It is one of the things which has partly broken my spirit's confidence. And it was an anxiety

which I could share with no one until
certain retirement made it inevitable
and fair to my own associates in 1947.

Lippmann and I have had some very frank
talks. I think he exposed his mind to me
as fully as one could and be loyal as well
to his associates and the bank. This year
I had another and equally frank talk with
Lippmann and Cusenas and then they went
off for lunch and to pursue the discussion
alone. It may help - and certainly cannot
do harm. Ask G. about it!

Now something about myself. Dr. Miller (my

my doctor) & Rux two hours with me today,
• first gave him a precise account of my
condition, lungs as Rux found them, head,
nerves and colon. Then told him I dreaded
taking up the load and had determined to
future as soon as possible. To do so I would
need a strong letter from him, but only, in case
it expressed his conviction that it was
how necessary. He said his opinion was
(I only, summarizing) that for the first time
in 12 years my confidence was shaken
due to the recall, serious and painful ulcers
which had shaken me to the foundations. With

[July 26, 1926]



AVENUE GEORGE V - PARIS

GEORGE V

naturally, thought of an occupation.

When I discussed my plan - suits judge, - soon
 to repleaming my talks with hon audiffidw
 opportunity to judge and hon for this
 first reaction (natural enough) was to raise
 the question of the person. Did it mean a
 temptation into local activity, to visit a
 bureau on a small income, to see French
 comes I count on it - was it a stable and
 dependable character etc. I think the thought of
 the profession concerned him etc. I told him
 it was the only judge but fearing that I

was being tempted for my own comfort, to
be a bit 'refresh', you had found a real
chance to judge and had no doubts nor
had I. Then he said that nothing could be
better, - he wanted to be sure of the person,
that being assured - he was delighted. He
told that for two years past and longer I
have been kept alive, by my determination
to keep alive until a job was finished,
since I let go that idea I would crack.

And he told that if my plan succeeds I
can be kept, well after two years or so

at the end. | If it fails all this. But it

[July 26, 1907]



AVENUE GEORGE V. PARIS

GEORGE V

would fail, and you and I both
 know or I saw Dr. Riet Rafis
 and he thinks I'm in fine shape, but knows
 the situation only as to lungs. as to
 developments - The audition was given by Busca
 in his own house. It is a wonderful performance,
 and accompanied himself. His first purpose
 was to sing the most difficult *Coloratura* role
 in music, Queen of the Night, and have done,
 he demanded the other. ^(There are two) Then he turned on his
 voice and said about this. "I have the
 most beautiful *Coloratura* voice I have ever heard
 of hearing, it is exquisite, and

You have sung the most difficult music
without one single flaw, - how vocal is to
have international renown and you can
sing anywhere. But you have something
else, Composure, grace, assurance and
the background which such a voice requires.
Now let us sing all the difficult passages
again and see if it was an accident. This
time two hours and some were sung, twice in
fourteen minutes. At the conclusion he said there
was not a flaw, Fichingué, Tone, all were
perfect, and asked her to sing in German
the next season. She said she could

[July 26, 1904]



AVENUE GEORGE V. PARIS

GEORGE V

not do that, but I wish you to "Magne"
 Huetz, and I think, would be able
 to do "Lucca" and "Rigoletto." All of that is
 yet to be decided, and we shall promise is to
 go to Berlin for a few weeks coaching in the
 acting, and then rehearse or sing with full
 orchestra Sept 15. Expecting from me to
 have appearances before I return. You is
 so anxious to stop there or at once that
 I know how it will end - just as we wish
 and this happens about it. So am I. But
 it is the question you raise as to how

much of an influence upon my retirement
as arisen from last years price, and this
years developments. I think that can all be
handled - but of course I must first have
time for judging at home. ^{A.C.} Cullen has done his
best, and a pitiful best it is - but I really
have no concern about my own record. In
what may happen to the bank which must
be the guide. ^{Tas. A.} Mr. Cullen is Quaker, and a Quaker
today, which would make it little short of
suicide (or murder) to continue or be forced
to do so. Had I no prospect of happening
in their' and drop in my tracks.

I had Raygo to go now, later along, and
you, almost brought them from the kitchen.
No garden will be made, I think, and
soon I hope. You will be the first to enter
the sacred precincts, space will be marked
out for you, and we shall see and tell
us first the "quantile theory," mathematical
Equation, which is a "justment Stabilizer"
who has it our best and richest and
is fashioned notions. (I am sure a few other
things, see what you, perhaps it too.)

This long letter has been a pleasure to
write, but not so great as the pleasure of

reading how with your message to ease
my mind. I feel as much a debtor of
you as I do of the bank. But you will see
this situation through, for it will be solved,
one way or another, and I surmise soon.

For all the trouble I must thank you for,
and the care you are taking, please accept the best
and warmest gratitude I have. See you
soon.

Affectionately

MS

Dr. M. & Dr. R. both say nothing serious in my colon.
All things now do most well

[From B. Slingsby]

J. S. Olynick, Aug. 2, 1948

My dear Walter:-

After reading, your letter(s) I am both unable and unwilling to continue the fiction of a salutation which is so unexpressive of my feelings! And as the boat is a bit shaky where I am sitting and my pen is unsteady, I'll ask you to forgive this paper and pencil for what has to be a long letter. Yours (and I must include Subeck's) touched me profoundly and made me sensible of what a great knowledge one has in a friend when a friend is one's greatest need. So large a proportion of all the forces I know only too often disclose, unconsciously, that were I running a store and not a Reserve Bank, I'd likely be unnecessary. They, mostly, want something! So I have also acquired a crust, and it is too often one of distrust. But you both, and you, most of all, give me too much credit. Whether it be right or not you also give me what I crave most, and that is your confidence and affection. Bless you!

Those days we had together came at a time when health, news, worry, and being alone, made the need very great indeed, - and I know that your, indirect and my, reason to support - led me to get you to come out to stay till I could clear my mind of many problems by sharing them as I did. So I do owe you more than you realize or I can express. I have copied ^(from letter) or all save the "bank" part to send to Madam where in one cause much joy, you will know that my doing so was not vanity, but a desire to share a great pleasure.

Please do not worry about the next few months. I shall
feel obliged to consider my associates views, and they
will realize the need to care that my resignation be
construed as an admission of supposed errors which
forced my retirement. But the record of the last
half of 1927 is well nigh forgotten, save for the mess
made of it by the Board and by Chicago. If they ask
me to differ actually, resigning, I shall continue, only
nominally, to hold office and then like the Arab -
"Silent, fed my tent-stick" Dr. Muller's letter is in
form to be published, but that I would deplore, and it
should be unnecessary. Anyway my thoughts are
so much on the future that I shall be protected against
any foolishness. It has become a great safe-guard.

Facing the past, honestly, I wonder that I am alive.
When I review or catalogue what I have had to cover -
the inside the bank, the Board, Congress, Governors,
Committees and meetings, Treasury, Foreign banks,
Complicated plans, all the personal Equations, and
unruly members, hostility, illness - it's a mental
high speed cinema which staggers me - and in all
experience has or had nearly finished me. But
it was bound to do so and I knew it, but had
no way of escape, - save the one I have chosen.
The alternative was a sudden and complete crash.
And I worry that some such fate may not overtake
your Governor. He suffers from a species of mental
auto-intoxication, - which cannot but have one end
unless a cure is soon found.

But enough on these subjects and back to plans.
Future calls me! I do hope you and Mrs. Straut

in get to Dresden. After reading your letter I sent a
wireless to Eleanor asking her to write her of her
plans and her address. As I understand, Busch
wishes her to study the dramatic work in Berlin, go
to Dresden Sept 15. for full orchestra rehearsal, where he
will conduct and take charge, and then sing the
"Queen of the Night" role at once. Show me of course
the usual business arrangements, which I little understand,
and some care is needed that the German members
make objection to an American. But Busch can
be counted upon there - he and his wife have taken
a great liking to Eleanor (come this, keep it) and
Busch has put her under the wing of his sister and
brother-in-law in Berlin, and her voice and charm
will do the rest.

Now I must devote some space to run over to
my out-look and beliefs. My friend Campbell, who
is a sound "biologist" expressed the progress of
evolution as depending upon "a capacity - to
adapt and execute a process of selective analysis"
The word may not be exactly his - but the idea is
always one of choice, voluntary, often, frequently by
force of compulsion. That gives the snail a long
neck, man thumbs, and will give you your best
chance in your work. The slavish or stubborn pursuit
of an original idea, say an "intelligence service"
(as they say in the League) may defeat a greater
purpose in the scheme of things in the bank, and
in all of Europe and the world. Your personality,
and especially your integrity of mind and work,
courage and candor in forming and expressing

Now opinions may spare as all a disaster. Of such trouble as may well arise, leads a laborer to assume responsibility for the bank, its personnel and forces - We will all lose the anchor to which our independence now holds - the British tradition of banking freedom from Government control. | I wish might be one of the first to see under such a leadership as Hoover's was, prove to be. I can trace the growth of Hoover's influence at the bank from many indications, Siepmann's talk was the latest. My fear is that his natural modesty, and an exaggerated respect for the views and feelings of associates, may lead him at times to deal more gently with affairs than is justified. Of course I allow some for the difference between a "pirate" and let's say a "chaplain", and realize that one must be one's self or lose the asset of reality and simplicity. But you are now so fully aware of all that is involved, - and so secure from any suspicion of ulterior motives or personal gain, that I count much upon what you can and will accomplish. The experience will be an asset and a satisfaction all your life. How I wish I might help. You may never develop the intelligence service, but you may save a sacred institution from spoliation.

The French have a saying, freely rendered "Better is enemy of 'best'." It is not the equivalent of "Let well enough alone", it means rather that a good thing can be ruined by tinkering so: when one tries to "sell the milk" So I am counting upon your fine work in London to save

me from any reproach that I had been one of those
to lead you, blindfolded! This is all reminiscent of
your earlier and very stormy letter, which has been
much in my mind since it came in Paris. My
thoughts and hopes will always be with you with pride
and great affection. It is only fair for me to conclude
this sermon, by repeating what I said to you when we
first met. "A sense of humor is a necessary
qualification"!

Now, dear friend, our association has grown
apace into a very real and important place in
my life. Your friendship is one of the things I commit
me for the future. I'm far from "down and out"
and begin to see ahead of me happier hours than
any I have had in the past, so many of which have
been cruel disappointments. I'll share them with you
if you can spare time now and then for visits.

Every good wish I can think of is yours and
my gratitude as well for many things.
Affectionately,
R.S.

Conrad

[From B. Stoney]

270 Park Avenue

Aug 18. 1928

Dear Walter -

I had to dictate an account of my last stunt, not Brad's Equal to much Ben work. Now I'm much better and can send a few lines. The immediate crisis was due to the large amount of borium in my upper intensions, necessary for the trap, which threatened to plug up that structure. That has now mostly passed out and the need for any emergency cutting is therefore past.

But I have a long period of great
care with dear Elie. Before we can
tell how safe the situation is.

Of course I had promised Eleanor
to keep her informed fully of any
illness so had to cable her just
what the trouble was. She begged
to come home (would have come
any way) and in 24 hours was in
Paris and the next day on the
way to board the Berengaria. I
will be so glad to have her here.
This will change all my plans for
a time and in fact prevent any
plans for Europe until any danger

of emergency, is passed. So as will
be what we shall see, as Prosper
said. Now that Eleanor is returning
I can beat this new enemy and in-
find to do so horse, foot and
dragoons. So don't you worry!

Ben & Lucia his wife & Phil, are
overjoyed by my news of Eleanor, &
what we propose and have all sent
her bundles, cables. They are relieved
from a great anxiety about my
care and protection, but they, have
already, met her. But you will miss
the spica! It's great to have such
children as mine. They satisfy me

in every particular.

This must do for today. Please
write me and enclose a line for
Eleanora to cheer her on.

Affectionately

Ben.

I have no pain nor fever, not
even a nurse, and am as well as my
wrappers most of the day. In fact
am more comfortable than when I
was abroad, especially, as we now
know the enemy I can face him.

270 Park ave.

[From B. Slomsky]



Sunday - Aug 26th 1928

Dear Walter,

I have better news for you
I would have cabled it did I not fear
you were off on your vacation. The
most important is that Eleanor came
in Friday, Eve. (within an hour of the
boat docking) full of confidence and
as sure that I'm getting well as I now
am. I never knew anything like it -
nothing can shake her doubt free
attitude. It was what I most
needed, and here I am about well

Sally, some Elaborate heart Exams,
& 'u' to do. But there is no doubt
about my old heart - it has seen
me thru' worse scrapes than this.
I have about arranged all details
so as to quit about Oct 1. But
meantime will do no work. Just
see folks up here, later on. To-
morrow E. and I go to stay
with Rue Hawes for a week or
two. They are all so delighted
with my news and so grateful to
Eleanor and she has so continued
their affection, that I fear she will

hustled into a church any moment
whether she is ready or not. But
as yet no plans are made and
it is only decided that I must
have a home just as soon as
one can be had in the right
place, and a good book!

More important than a doctor
now. All of this Eleanor takes
as a guide, making her new
career more important & interesting
and more worth while. How could
this prove all that I have known,
and now discovered in Paris.

Prior to Eleanor's return I was 2 Aug 20. 1900
rustier and rather blue,
B or would have written you
by an earlier boat. But I am
so much better in spirits and in
body, that it's just a question of
care, now, before I'm better than ever.
This letter is frankly all about my-
self, and I have little office or other
news to send as I have really
been just resting. No bank calls,
save own books, no telegrams,
no stenographers even! This week Phil
is married at Ballston but I shall

not risk going. It means three
nights away, and change of food
etc. which might cause trouble.

Now don't be anxious about me.
I'm on the road to health and full
of confidence and love, content.

With much affection

Em.

Blue

(4) 010
FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

May 9, 1925.

My dear Governor Strong:

enclosed

I am sending you herewith copies of (1) an analysis of the second McFadden bill prepared by the Board's counsel; (2) a preliminary memorandum on the effects of this bill prepared by Professor Sprague; (3) a memorandum on the bill prepared by the Board's Divisions of Bank Operations and Research and Statistics, and (4) a draft of a letter to Congressman McFadden in reply to his inquiry about the Board's attitude toward his proposal. This draft has not been submitted to the Board and is entirely tentative. You will note that the letter is very brief and merely states the Board's position without presenting detailed arguments to support it. We believed that it would be best not to go into details in the letter, but to reserve them for presentation to the committee when the bill comes up for consideration.

I will be very grateful to you if you will let me have your comments or suggestions on this draft not later than April 16, as the Board wishes to send the letter on Monday or Tuesday of the following week. The date of the next committee meeting has not yet been determined, and you will be notified of it later.

Yours very truly,

Walter W. Stewart

Walter W. Stewart, Director,
Division of Research and Statistics.

Mr. Benjamin Strong,
Governor, Federal Reserve Bank,
New York City.

June 18, 1925.

Dear Dr. Stewart:

These in file

The minutes of the meeting of the Legislative Committee held on June 8 have been received, and I have just finished reading them.

The resolutions passed in regard to the recommendations of the Committee on Reserves call for special comment, and those which I have already submitted to Mr. Curtiss are briefly as follows:

1. Reserve on Government Deposits - It is my recollection that this can be dealt with by regulation of the Secretary of the Treasury. A change in the existing regulation, whether made by an act of Congress or by ruling of the Secretary, would have such bearing upon the flotation of short-term securities by the Treasury, that I believe that this matter should be discussed with the Secretary before definite recommendation is submitted.

2. Currency Shipments - Under the present ruling of the Federal Reserve Board, it is possible for each Reserve Bank to determine whether deferred debit on currency shipments and anticipated credit on currency receipts shall be made for member banks not only in computing penalties but in computing reserves. The result of this ruling might be different reserve requirements in the different districts. In fact, that is the situation now, as all Reserve Banks have not adopted the same policy in the matter of deferred debit and anticipatory credit. As I am opposed in principle to counting as reserve any currency which is in transit, my suggestion to Mr. Curtiss has been that an investigation be made to show just what effect upon reserves would result from the various methods of computation which are possible under the Board's ruling, as that would be a guide to a wise decision as to how the debits and credits should be treated.

3. Currency Depots - The Committee's report opposes the establishment of currency depots. Some have already been established. I believe that the policy of establishing these depots may later be a fruitful source of friction, because equality of treatment of all member banks cannot possibly be effective, and it seems to me that there is some doubt as to the legality of the procedure anyway. I should hope that those established might be discontinued, and no attempt made to develop the practice. Furthermore, I have always felt that the currency depot in Cuba was illegal, and I understand that it is unprofitable. If the report of the Committee is to deal with all of these situations, my own belief is that that one should be discontinued.

4. The Segregation of Savings Deposits - This is mentioned in the Committee's report and the suggestion that the Legislative Committee should deal with it. I have already submitted this in the letter addressed to Professor Sprague.

In general, I believe the recommendations of the Committee on Reserves are sound and can be supported by the Legislative Committee and should be, and the above comments are the only ones that occur to me at this time.

Very truly yours,

BS. *msr.*
BENJ. STRONG
Governor.

Dr. Walter W. Stewart,
Federal Reserve Board,
Washington, D. C.

BS.LS

Stuyvesant Road,
Biltmore Forest,
Biltmore, N. C.,
March 26, 1927.

PERSONAL

Dear Doctor Stewart:

You will recall my mentioning the wish once expressed by my friend, Mr. Montagu Norman, that it might be possible for you to do some special work for the Bank of England. This letter on that subject I must ask you to consider to be a personal one, although you will realize that I would not write it without first being fully satisfied that I am justified in doing so. At present I must ask you to take no one into your confidence until we have investigated the matter a little further.

It is my belief that the time has now arrived when Governor Norman would be in a position to make some arrangement with you, and probably along the following lines. This letter is really intended to ascertain quite privately whether you would welcome having a definite inquiry addressed to you or whether you would prefer that it be not done.

First, you will be asked to go to London at an early date to reside for, say, a couple of years.

Second, the object of the arrangements would be to enable the Bank of England to build up a statistical and information office somewhat along the lines of your own experience with us.

Third, generally to advise what material should be collected and recorded and where it should be obtained.

Fourth, to give advice as to how information thus collected could, from time to time, be used to the best advantage by the Bank of England.

This, in general, would be the terms of reference, so to

speak, but I think the following would likely be the surrounding circumstances.

You would be given complete confidence by the Governor and Deputy Governors of the bank, and they would, therefore, expect from you, as is usual in such cases, assurances of secrecy. You know how careful these matters are dealt with abroad. You would be provided in the bank with necessary accommodation and all the paraphernalia of work, and such assistance as you might require. You would be welcomed at the directors' luncheon every day, although you would be entirely free to go elsewhere, either at home or abroad, in the interests of your work. My personal view is that you would have a very warm welcome; that you would be expected to make friends in the bank on the basis of give and take; and that they would really expect you to be a bit of a guide and teacher as to the best methods for establishing such an office, what it should consist of, and how benefit might be obtained from its operation. They would, of course, expect to pay you whatever annual fee was agreed as proper.

It is a very unusual, in fact, probably unprecedented thing for the Bank of England to take a non-British person into the organization, so I think it could not be expected to be permanent, but on that account I think the work would be regarded as by so much the more important.

There are at the present time special reasons for discretion in considering this matter, hence my need for all of the above cautions.

I am arranging to have this letter delivered to you personally by hand, and will ask you in sending a reply to arrange to have

it delivered through Miss Bleecker, my secretary, who will know my whereabouts.

With every good wish, believe me,

Cordially yours,

Dr. Walter W. Stewart,
Care of Case & Pomeroy,
New York City.

Stuyvesant Road,
Biltmore Forest,
Biltmore, N. C.,
March 26, 1927.

PERSONAL

My dear Dr. Stewart:

Please do not be astonished by the terms of the accompanying letter. There is, of course, a great piece of work to be done, and my interest on the one hand in the work and on the other hand in your own welfare and happiness is such that I cannot refrain from venturing a few personal remarks.

It is obvious that this is the opportunity, if it materializes, for an experience almost unique for any American to enjoy. Whether you grasp the opportunity or not I think you may mark it down in your memoirs as probably the most complimentary offer that you have ever received. Because of the relationships which have now so long subsisted between our bank and the Bank of England, and the very intimate friendships which have grown up between the staffs of both banks and, to some extent, between the directors, you need apprehend no barriers or obstacles such as might ordinarily be expected. In fact, because of your own connection with the Federal Reserve System I think your welcome in the bank would be of such character as we now enjoy.

A decision in such a matter as this always depends upon a clear understanding of what one is after. If it is simply money, while this would doubtless pay handsomely while it lasted, it is obviously not a money-making venture. If one is seeking the security of a permanent position, this has the obvious disadvantage of not being permanent. But, on the other hand, is quite likely to last longer than the two years estimated. These things always do take longer than estimated.

All the considerations of family, education, climate, associations, friends, etc., are involved, on which I can make no comment.

To my mind the most important consideration would be an advantage which, for want of a better word, I shall call educational, but which really is the advantage of an unusual, interesting and valuable experience. This I regard as exceptional and one which would have a material bearing upon your career whether it is ultimately to be educational or is to be permanently business.

Then comes the question as to whether your present associations and the work you are doing have proved to be as satisfying as you have hoped. Of that I know nothing.

Finally, my dear Doctor Stewart, I must ask you to view generously what might appear to be an intrusion into your private affairs. The extent to which my friendship, in fact, my affections are involved in both quarters is one excuse, and the other lies in the fact that such an institution as the Bank of England would never inaugurate an approach of this sort if they felt that it might meet with a refusal which would appear to be a rebuff. This, of course, has its personal aspects. So consider me as a volunteer intermediary simply to discuss possibilities, and you can understand that I am always glad to be intermediary between two such good friends as you and the Governor.

My progress towards recovery has been sufficiently satisfactory to warrant my returning to New York next week. I shall be there only over Friday night, and am then going to Atlantic City for two or three weeks to finish up the job, after which I am hoping to

be in New York. If you prefer to deal with this matter face to face it would suit me wonderfully if you could make a short visit at Atlantic City so that we could talk it over. I shall be so engaged with the doctor while I am in New York passing through that I could hardly find time for such a talk.

My very best regards to you, as always,

Sincerely yours,

Dr. Walter W. Stewart,
C/o Case & Pomeroy,
New York City.

PERSONAL.

Bank of England,

6th June, 1927.

Dear Dr. Stewart,

After certain conversations which you have recently had with Governor Strong, you will not be surprised to receive this letter from me: and after certain conversations which you have had with me in past years, you will allow me to write frankly.

We are in need of a system for the collection and preparation of Statistics and other information on economic questions which may guide us in our financial policy, and some members of our staff have been vaguely working on the subject during the past few years. We feel, however, that we are in need of wider experience and knowledge than we have at present at our disposal, and we wish to obtain the very best expert assistance in developing a programme.

We know of your work with the Federal Reserve Board: we know you or of you: we feel that there is no one whose experience and knowledge would be more valuable and welcome to us than yours. I am therefore wondering whether you would be willing to spend, say, the next two or even three years in London to assist us in building up a Statistical and Information System, to advise as to the manner in which material should be collected and recorded, and to show how the information thus collected

could

PERSONAL.

Page 2.

Dr. Walter W. Stewart.

6th June, 1927.

could from time to time be used to the best advantage in shaping the policy of the Bank of England. We should of course provide in the Bank such accommodation and assistants as you might require.

As a foreigner your position would necessarily be unique and would carry no official status; but while we should wish you to be free to go elsewhere at home or abroad in the interests of your subject, we should like you to come here, to make friends with our Directors and Officials on a basis of give and take, to see all there is to be seen, and to teach us how best to inaugurate a system for the benefit of ourselves and our successors. On your side we should just have to ask for assurances of secrecy at all times and for no publicity.

With regard to compensation, there may be certain questions with reference to taxation which would need consideration, but the figures which we have at present in our minds are (as Governor Strong may tell you) such as I believe would appear reasonable to your mind. They are better left for conversation than set forth in a preliminary letter.

I hope to be in the United States in July when I should like to have the opportunity of talking the whole matter over with you. But I may add that I know it would give us all very great personal pleasure to be associated with you,

and

PERSONAL.

Page 3.

Dr. Walter W. Stewart.

6th June, 1927.

and I think that you would find that your surroundings, however strange at the outset, were friendly and sympathetic.

Believe me,

Yours sincerely,

(Sd.) M. NORMAN.

Dr. Walter W. Stewart.

June 9, 1927.

My dear Doctor Stewart:

Can you advise me definitely whether you will be in New York during the early part of the month of July, as it is probable that I shall ask you to meet a friend of mine from across the water who would like to have a talk with you.

It was a great delight to have you at our dinner the other night, and I hope you can be a regular attendant. I count upon your being at the next one anyway.

Sincerely yours,

Dr. Walter W. Stewart,
C/o Case, Pomeroy & Company,
60 Beaver Street, New York City.

BS/RAH

October 20, 1927.

My dear Stewart:

The enclosed documents speak for themselves. You may retain them as an example of journalism only exceeded by those with which we are afflicted in this country.

Sincerely yours,

W. W. Stewart, Esq.,
Case, Pomeroy & Co.,
60 Beaver Street, New York.

RETYPE COPY

ROYAL HOTEL
EVIAN LES BAINS

July 2, 1928

My dear Dr. Stewart -

I would have written you from Paris had not the last few days there been a bit hectic with callers and calls. Your ten days with me, did more real good than all the doctors, nurses, and medicines. I wish I could quote that passage from Macbeth! Nor was the good confined to me. All I can write you is to express my gratitude and appreciation and that I do from my heart.

Our trip here, via Dijon was a delightful one. We arrived an hour ago fresh as we started. My plans are settled by a wire from Phil advising his marriage not later than Aug. 30. I don't dare risk sailing after Aug. 1 for I know the boy wants me for help and advice and I'll cut out the office if I'm not in good shape. But I will be, I'm so much improved already.

Sir Alan Anderson lunched with me Friday and we had a good talk, leaving me with some new ideas of the situation in London. If you can have a talk with him I hope you will. He may invite it on his return.

My anxiety about the whole situation would be relieved if a few of your important associates could induce a full and frank exchange of views with the Gov'r.

Now my blessing to you, good friend and much affection.

Yours

B.S.

Retyped Copy

Royal Hotel

Evian-les-Bains

July 6, 1928

My dear Dr. Stewart -

I'm writing you just because I want to, and with no more excuse than that. It gives me a chance to announce that I'm feeling better in every way, mind and body, and I really feel that all of my insides are beginning to behave normally. More peace of mind may have hastened this, and you helped me to the remedy.

A wonderful letter has just come from Lubbock. You can help him greatly and I take great comfort in your being where you are. I've suggested that if Siepmann cannot easily come here, and especially in this hot, disagreeable weather for travelling, we might have a couple of days in Paris. But I do want to see him and whichever is decided will suit me. Tomorrow I'm lunching with Salter and I shall try to take the sting out of our last talk. But I'm adamant as to the League doing anything along the lines they propose. Very confidentially, the French Ambassador has inquired of Morgan's whether they can discreetly learn if it will be acceptable to me to be made "Grand Officer of the Legion of Honor". For reasons you will understand, I am replying that it will be better to postpone it. The opportunity will come, if they wish to do it, when there will be no feelings aroused on either side of the Atlantic. Am I right?

We had some wonderful motor rides in Paris. Should you happen to be there at a time when Siepmann is not there, I can doubtless give you some more of the same, and everyone will be pleased! Also, I can tell you more of my plans for the future.

Now I shall do what you say I really never do, and preach from the standpoint of an older man with a doughty experience of life behind him. There is nothing in attempting to deal with important human problems in formulas. There are none which fully meet human needs when adjustments must be made. The ten axioms in front of the Algebra you studied at school, are as cold as a chunk of ice, and the ten commandments are human axioms which are truly understood only by those who understand the story of Mary Magdalen. All of my experience of life (and sometimes it grips me hard) convinces me that nowhere can one get better guides than from the lives and teachings of Christ and Lincoln. Were there ever two men who were more convincing examples that human affection, generosity, tolerance and even a certain type of weakness, - gave the world more in happiness and satisfaction than do rules of any kind? And both were martyrs! This may not be "practical politics" but who gives a damn about "practical politics" when the day comes to reckon up the account? Maybe it's this point of view which gives me more joy when salaries are raised than when the discount ratio is. Can this be made to apply to problems of cooperation, tariff barriers, reparations and debts and the like? I don't really know- but instinctively I feel that one strong, vigorous personality leading mens minds and decisions upon these doctrines, in such matters, can accomplish more than can the Churchills and Hoovers and even Mellons. Think it over.

How I would enjoy having you about as in Grasse and Paris. The day will come, and soon I hope - meantime this carries much affection to you.

As Ever

B.S.

10/12/23
Y

Royal Hotel

Evian-les-Bains

July 20, 1923

Dear Dr. Stewart-

You have always warned me that you are a poor correspondent - now I know it! Won't you send me a few cogent lines in reply to the volumes I have sent you?

Things are looking up with me. My head seems about cured, only very slight irritation left, my sleep is still poor but I nap a bit after lunch. My old colon has its bad days and probably will be a nuisance for months, as that trouble will persist in a nervous person despite doctors, diets and damns!

I leave for Paris Monday. And behind me I leave one job done which will please you. Schacht, Vessering, Buchmann and Franck have always been opposed to the League inquiry and they will be a great help. If Gov. Norman will take a position I hope that will end it and prevent charges that we are a lot of prehistoric obstructionists, or in the view of the Church, fundamentalists.

I'll not write you again, you old rascal, until I get a nice letter from you. Even though I shall always labor under the weight of a heavy debt to you which would excuse you of neglecting me shamefully hereafter.

Pax vobiscum.

B. S.

GEORGE V

AVENUE GEORGE V PARIS

July 26th, 1923

Dear Dr. Stewart -

Your letter was delayed by short postage and arrived after Siepmann delivered your message. It relieved my mind to have them arrive in that order, as otherwise I would have been anxious lest I was returning too soon and should make an effort to see you again. Every experience you have now had in a few months time, I have also had for three or four years past. It is one of the things which has partly broken my spirit and confidence. And it was an anxiety which I could share with no one until my certain retirement made it inevitable and fair to my own associates in N.Y.

Siepmann and I have had some very frank talks. I think he exposed his mind to me as fully as one could and be loyal as well to his associates and the Bank. This A.M. I had another and equally frank talk with Siepmann and Quasner ^[y] and think they went off for lunch and to pursue the discussion alone. It may help - and certainly cannot do harm. Ask S. about it!

Now something about myself. Dr. Miller (my N.Y. doctor) spent two hours with me today. I first gave him a precise account of my condition, lungs as Rist found them, head, nerves and colon. Then told him I dreaded taking up the load and had determined to retire as soon as possible. To do so, I would need a strong letter from him, but only in case it expressed his conviction that it was now necessary. He said his opinion was (I only summarize)

that for the first time in 12 years my confidence was shaken due to the really serious and painful illness which had shaken me to the foundations. Were I to return now and take on the whole load he would give me three months before a weak spot - anywhere - would lay me low again. He said that only after at least six months more of absolute rest, preferably a year, would he know whether I should go on. His advice was to quit as soon as possible and do it with as little effort as possible. But he was not satisfied with that advice until he knew my plans, as he feared that after a few months, inactivity might be worse than the work would be after a long rest. He feels I need an anchor and naturally thought of an occupation. Then I disclosed my plans - quite fully - even to explaining my talks with you and your opportunity to judge and how you felt. His first reaction (natural enough) was to raise the question of the person. Did it mean a temptation into social activity, too great a burden on a small income, the care I needed, could I count on it - was it a stable and dependable character, etc. I think the thought of the profession concerned him, etc. I told him that I was the only judge but fearing that I was being tempted for my own comfort to be a bit selfish, you had found a real chance to judge and had no doubts nor had I. Then he said that nothing could be better, he wanted to be sure of the person, that being assured he was delighted. He feels that for five years past and longer I have been kept alive only by my determination to keep alive until a job was finished, once I let go that idea I would crack. Now he feels that if my plan succeeds I can be perfectly well after two years or so of care. If it fails, I'll slip. But it won't

fall, and you and I both know it. I saw Dr. Eist later and he thinks I'm in fine shape, but knows the situation only as to lungs. Now as to developments? The audition was given by Busch in his own house. He is a wonderful pianist and accompanied himself. His first proposal was to sing the most difficult coloratura role in music, Queen of the Night, aria. When done, he demanded the other. (There are two). Then he turned on his stool and said about this. "You have the most beautiful coloratura voice I have ever had the privilege of hearing, it is exquisite, and you have sung the most difficult music without one single flaw. Your voice is to have international renown and you can sing anywhere. But you have something else, composure, grace, appearance and the background which such a voice requires. Now let us sing all the difficult passages again and see if it was an accident." This took two hours, as some were sung three or four times. At the conclusion he said there was not a flaw, - technique, tone, all were perfect, and asked her to sing in the Dresden Opera the next season. She said she could not do that, but could sing the "Magic Flute" and possibly would be able to do "Lucia" and "Rigoletto". All of that is yet to be decided, and her only promise is to go to Berlin for a few weeks coaching in the acting, and then rehearse or sing with full orchestra Sep. 15. Expecting from one to three appearances before I return. She is so anxious to stop there and at once that I know how it will end just as we wish, and she is happy about it. So am I. But there is the question you raise as to how much of an influence upon my retirement has arisen from last year's policy and this year's development. I think that can

all be handled - but of course I must first have time for judging at home. A. C. Miller has done his best, and a pitiful best it is - but I really have no concern about my own record. Its what may happen to the bank which must be the guide. Dr. Jas. A. Miller is sending me a letter today which would make it little short of suicide (or murder) to continue or be forced to do so. Had I no prospect of happiness, I'd stick it thru and drop in my tracks.

I read passages in your letter aloud to E. and they almost brought tears from the listener. The garden will be ready somewhere, and soon I hope. You will be the first to enter the sacred precincts - space will be marked over for you, and we shall dig and talk and forget the "quantity" theory, mathematical equation, weekend adjustment stabilizers who bark at our heels and ridicule our old fashioned notions. (There are a few other things I'll snap my fingers at too!)

This long letter has been a pleasure to write, but not so great as the pleasure of reading yours with your message to ease my mind. I feel as much a deserter of you as I do of the bank. But you will see this situation through, for it will be solved, one way or another, and I surmise soon.

For all the things I must thank you for, and they are many, please accept the best and warmest gratitude I have. I'll see you soon.

Affectionately,

B.S.

Dr. M. and Dr. R. both see nothing serious in my colon. M. thinks nerves do most of it.

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C O P Y

July 31, 1928.

Dear Governor:

A memorandum on the New York Credit Position.

You may want to ponder over some of the developments in New York during the last few weeks:-

1928	Brokers Loans (\$000,000)			Total
	Own Account	Out-of-town Banks	A/c Others	
Jan. 4	1,511 (Peak)	1,371	928	3,810
June 6	1,167	1,642	1,754	4,563 (Peak)
Jul.23	823(#)	1,553	1,808 (Peak)	4,184

Federal Reserve System - Last Wed. in July

Member Bk. Res. Balances	1927	1928	Change
System	2,299,890	2,282,030	up 17,860
N.Y. District	889,240	902,580	down 13,340
Other 11 Dists.	1,410,650	1,379,450	up 31,200
<u>Borrowings</u>			
System	398,130	1,025,110	up 626,980
N.Y. District	92,530	310,340	up 217,810
Other 11 Dists.	305,600	714,770	up 409,170

(#) Loans to brokers by New York City banks on their own account have never been below 800 millions since the reports were started in Jan. 1926. A considerable part of this amount can hardly be of the callable kind.

(1) Member banks in the New York District are borrowing 34% of their required balances. Members outside New York District are borrowing 50% of their required balances.

(2) Member banks in the New York District, who first felt the burden of gold exports, have \$13,340,000 less reserve balances than a year ago. Members outside the New York District have \$31,200,000 more than a year ago.

(3) Net demand deposits of all reporting member banks at the middle of July were less than a year ago.

(4) Bank liquidation has been accomplished chiefly by loan-shifting. This has gone farther among New York City banks than elsewhere.

(5) High money rates for collateral loans does not drive away other borrowers.

2. (Copy).

(6) Pressure on New York banks is now approaching the breaking point. Further reduction of the base (member bank balances) will weaken the entire structure - and likely to result in wide-open break in bond values, if forced selling of bank investments is brought about.

(7) Total reserve bank credit is 448 millions above a year ago and just about equals the loss in gold reserves (419 millions).

(8) The present problem is to prevent "others" from shifting loans back to Banks in event of decline in money rates. If member banks face the alternative of selling investments now, or agreeing to a policy of limiting their stock exchange loan account in the event corporations undertake to withdraw funds, I should imagine they would prefer the latter, so long as present volume of borrowing at 5% rate continues.

(9) Further pressure - will it be applied qualitatively to pool accounts or to bonds? Is the problem one of the credit available, or of rates? Would not less credit be available to security markets at lower rates - if banks were to decline to take over the full amount of corporate and foreign reductions?

These hurried and inadequate notes are intended to leave you with a feeling of my own concern over the banking position. I think it is easy to underestimate the extent of banking liquidation, because of the character of it. It has, of course, been largely a loan shifting operation. But the figures leave me with the impression that further pressure in New York would result in unintended consequences. A 5% rate, relative to bond yields, is now a higher rate than the 7% rate was in 1920. Is it necessary, in order to check the growth of bank credit, to have a sudden break in bond prices? Or will it work out some other way?

I am less concerned about the immediate international consequences than about the domestic credit position and Federal Reserve policy. Surely it was never the intention that member banks should bear the full burden of gold exports for currency stabilization in France. It may well be that a level of rates high enough to discourage for a period the large volume of foreign loans is advisable, but is it necessary to apply the pressure now being exerted, and on top of it to finance the seasonal currency demand by additional borrowings?

This note is for you. And it comes, not from the adviser at the Bank of England, but from an ex-Federal Reserver. Also, it is not to be answered. And if Lubbock thought I was writing because of any considerations of international central bank cooperation (management) it would be regarded as an act of treason to His Majesty's Government.

Yours, as ever,

(sgd) Stewart.

S. S. OLYMPIC, August 2, 1923

My dear Walter:

After reading your letter (s) I am both unable and unwilling to continue the fiction of a salutation which is so unexpressive of my feelings! And as the boat is a bit shaky where I am sitting and my pen is unruly, I'll ask you to forgive this paper and pencil for what bids fair to be a long letter. Yours (and I must include Lubbock's) touched me profoundly and made me sensible of what a great resource one has in a friend when a friend is one's greatest need. So large a proportion of all the folks I know only too often disclose, unconsciously, that were I running a store and not a Reserve Bank, I'd likely be unnecessary. They mostly want something! So I have also acquired a crust, and it is too often one of distrust. But you both, - and you most of all, give me too much credit. Whether you are right or not you also give me what I crave most and that is your confidence and affection. Bless you!

Those days we had together came at a time when health, nerves, worry, and being alone, made the need very great indeed - and I know that every instinct and my reason to support - led me to get you to come out to stay 'till I could clear my mind of many problems by sharing them as I did. So I do owe you more than you realize or I can express. I have copied it (your letter) all save the "bank" part to send to Dresden where it will cause much joy. You well know that my doing so was not vanity, but a desire to share a great pleasure.

Please do not worry about the next few months. I shall feel obliged to consider my associates views, and they will realize

the need for care lest my resignation be construed as an admission of supposed errors which forced my retirement. But the record of the last half of 1927 is well nigh perfect, save for the mess made of it by the Board and by Chicago. If they ask me to defer actually resigning, I shall continue only nominally to hold office and then like the Arab "silently fold my tent, etc." Dr. Miller's letter is in form to be published, but that I should deplore, and it should be unnecessary. Anyway my thoughts are so much on the future that I shall be protected against any foolishness. It has become a great safeguard.

Facing the past, honestly, I wonder that I am alive. When I review or catalogue what I have had to cover - the inside the bank, the Board, Congress, Governors, Committees and meetings, Treasury, Foreign banks, complicated plans, all the personal equations, our unruly members, hostility, illness - it's a mental high speed cinema which staggers me - and in its experience has or had nearly finished me. But it was bound to do so and I knew it, but had no way of escape, - save the one I have chosen. The alternative was a sudden and complete crash and I worry lest some such fate may not overtake your Governor. He suffers from a species of mental auto-intoxication, - which cannot but have one end unless a cure is soon found.

But enough on these subjects and back to plans. The future calls me! I do hope you and Mrs. Stewart can get to Dresden. After reading your letter I sent a wireless to Eleanore asking her to write you of her plans and her address. As I understand, Busch wishes her to study the dramatic work in Berlin, go to Dresden Sept. 15 for full orchestra rehearsal, when he will conduct and

take charge, and then sing the "Queen of the Night" role at once. There are, of course, the usual business arrangements, which I little understand, and some care is needed lest the German members make objection to an American. But Busch can be counted upon there - and he and his wife have taken a great liking to Eleanore (could they help it). Mrs. Busch has put her under the wing of her sister and brother-in-law in Berlin, and her voice and charm will do the rest.

Now I must devote some space to you and to your outlook and feelings. My friend Crampton, who is a sound "Biologist" expressed the progress of evolution as depending upon a "capacity to adapt and execute a process of selective analysis". The words may not be exactly his, but the idea is always one of choice, voluntary often, frequently by force or compulsion. That gave the giraffes a long neck, men thumbs, and will give you your best chance in your work. The slavish or stubborn pursuit of an original idea, say an "intelligence service", (as they say in the League) may defeat a greater purpose in the scheme of things in the bank, and in all of Europe and the world. Your personality, and especially your integrity of mind and your courage and candor in forming and expressing your opinions may spare us all a disaster. If such trouble as may well arise leads a Labor Govt. to assume responsibility for the bank, its personnel and policy - we will all lose the anchor to which our independence now holds - the British tradition of banking freedom from Government control. Ours might be one of the first to go, under such a leadership as Hoover's may prove to be. I can sense the growth of your influence at the Bank from many indications, Siepmann's talk was the latest. My

fear is that your natural modesty, and an exaggerated respect for the views and feelings of associates, may lead you at times to deal more gently with affairs, than is justified. Of course, I allow some for the difference between a "pirate" and let's say a "chaplain", and realize that one must be one's self or lose the asset of reality and simplicity. But you are now so fully aware of all that is involved, - and so secure from any suspicion of ulterior motive or personal gain, - that I count much upon what you can and will accomplish. The experience will be an asset and a satisfaction all your life. How I wish I might help. You may never develop the intelligence service, but you may save a sacred institution from spoliation.

The French have a saying, freely rendered "Better is, enemy of best". It is not the equivalent of "Let well enough alone", it means rather that a good thing can be ruined by tinkering as when one tries to "Gild the lily". So I am counting upon your fine work in London to save me from any reproach that I had been one of those to lead you blindfolded! This is all reminiscent of your earlier and very gloomy letter, which has been much in my mind since it came in Paris. My thoughts and hopes will always be with you with pride and great affection. It is only fair for me to conclude this sermon, by repeating what I said to you when we first met - "A sense of humor is a necessary qualification"!

No dear friend, our association has grown apace into a very real and important place in my life. Your friendship is one of the things I count on for the future. I'm far from "down and out" and begin to see ahead of me happier years than any I

have had in the past, so many of which have been cruel disappointments. I'll share them with you if you can spare time now and then for visits.

Every good wish I can think of is yours and my gratitude as well for many things.

Affectionately,

B. S.

(COPY)

S. S. "Olympic,"
August 3, 1928.

PRIVATE

Dear Stewart:

Your memorandum of July 31st is a welcome and most illuminating contribution to the solution of the situation at home, which I am just now trying to work out towards some satisfactory conclusion in my own mind. That you may realize that the thoughts which prompt you to prepare the memorandum have also been in my mind, I am enclosing carbon copies of letters addressed to Dr. Burgess on June 13th and July 3rd, which are of course quite confidential and which I shall ask you to return to me privately after you have read them.

The arrangement of figures in your memorandum is most enlightening and new to me, because I have done no work of that sort myself since leaving home. At first glance, they might raise goose-flesh. On the other hand, I cannot bring myself to feel the concern exhibited by some of the expressions in the memorandum, although I do agree most completely that our situation at home is one which needs careful watching.

I shall deal with your memorandum by paragraphs, and as you may not have retained a copy, am enclosing a typed copy of what you wrote.

As to the figures, three or four things stand out most strongly:

(a) The reduced amount of New York City brokers' loans, but the increased responsibility of New York banks because of the huge growth of customers' loans to brokers.

(b) The large percentage of reserve balances created by borrowings.

(c) The undoubted evidence that the increased borrowings in 11 Districts are the outgrowth of transfers of funds from those Districts to lend them on the New York Stock Exchange.

Based upon these conclusions, the following comments:-

(1) The borrowing of so large a percentage of required reserves would be hazardous, had we not the means at any moment of liquidating the borrowings by open market purchases.

(2) The figures of changes of reserve balances are not particularly significant; it is in fact the growth of the borrowings by which these balances are created which is significant.

(3) The last three quarters of 1927 and the first quarter of 1928 showed an increase of 5 billion dollars in demand deposits of the banking system as a whole, of which, as I recall, about a third arose in the first three months of this year. The reduction of net demand deposits since April 1st and since July 1st is still not very impressive and probably could go further without harm.

(4) I am in entire agreement that there has been little liquidation except that caused by banks reducing deposit liabilities through transfers of brokers' loans to customers.

(5) You are correct in this, but the growth in collateral loans is the outgrowth of a rising stock market and there never is, and I believe never can be, a material reduction in brokers' loans except it be accompanied by a reduction in security prices.

(6) Here lies [the danger of the situation, which can be avoided by a rational Federal reserve policy. Such a policy means anticipating

(the approach of the "breaking point" by any one or a combination of four possible methods:-

- (a) Discount rate reductions;
- (b) Extensive purchases of bills from dealers;
- (c) Purchases of Governments;
- (d) Purchases of foreign exchange and the accumulation of a foreign portfolio.

Here is where I fear the consequences of hesitation or differences of opinion within the System. It has been in my mind to have this question frankly faced by the Open Market Committee and the Reserve Board promptly on my return and adopt a formula for meeting an emergency. If the System is unwilling to do it, then I presume the New York Bank must do it alone, despite the tradition which we have helped to create and maintain, that no extensive open market operations should be conducted by individual banks. An emergency presents the possible need for emergency measures.

(7) This has been apparent to me and is one reason why I feel less concerned than if the growth of borrowing had been the result of expansion rather than loss of gold.

(8) News despatches indicate that the Clearing House is taking cognizance of this situation. Here lies the second danger which I fear - that the Clearing House will do something foolish. They have in the past and may again. The logical treatment of this vast indirect responsibility of the New York banks is of course some system by which a reserve will be set up in the form of balances at the Reserve bank against loans made for customers, treating them exactly as would be treated a demand deposit lia-

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bility. The sudden adoption of such a program might increase reserve requirements anywhere from 250 to 400 million dollars. If, added to that, the National bank notes should be retired a couple of years hence without special legislation, the increased reserve requirements might be at least double this and we would then have no surplus of gold over reserve requirements at all. So my belief is that we are much safer in discouraging agitation by the Clearing House, which might indeed be reflected in action by Congress, and permit this situation to work out gradually. It requires study, and the dangers to be avoided are:-

- (a) Direct action as mentioned in my letter to Burgess;
- (b) Some foolish Clearing House procedure;
- (c) Some very hostile move against the Stock Market by either the Federal Reserve Board or Congress.

(9) I do not think the problem is necessarily one of security prices or of available volume of credit, or even of discount rates. It is really a problem of psychology. The country's state of mind has been highly speculative, advancing prices have been based upon a realization of the wealth and prosperity of the country, and consequently speculative tendencies are all the more difficult to deal with. I fear voluntary assumption of responsibility for this matter just as much as I fear voluntary assumption of responsibility for the prices of commodities. [A gradual unwinding of the situation is quite possible and is the best bet.] B

As to the last page of your memorandum, my general feeling is that the New York rate is somewhat too high, but when I was advised of the proposed increase, I was unwilling to take the responsibility of urging

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deferring it when I had been so long out of touch. My preference, and a very strong one, would have been to witness increases to 5% in the other Reserve banks, we maintaining the 4 1/2 per cent. rate, thereby increasing the borrowing at New York but having the penalty 1/2 per cent. less. I think the effect would have been salutary, with the danger lessened.

It never has been my intention or expectation that the full burden of gold exports for currency stabilization should be thrown upon the reserve position of member banks. What I have had in mind, as to the general situation lately, has been somewhat as follows:-

(1) [The growth in the volume of member bank credit had become too rapid and was largely the outcome of speculation, or a cause of speculation, as one may look at it.]

(2) It reached its climax at a time when we were suffering heavy losses of gold, coincident with heavy sales of Government securities.

(3) The combined effects of these two things and increased discount rates would be:

- (a) A damper upon speculation;
- (b) A check in the growth of demand deposits;
- (c) A check in the freedom with which foreign issues were placed in our market; and finally and most important
- (d) An enforced reduction by foreign banks and others in the amount of American balances without heavy withdrawals of gold; in other words, of the 2 or 2 1/2 billions of foreign deposits held in America, we might expect a check in foreign borrowings to result in the need for the use of those balances in paying for goods and

meeting services of debts, which would greatly strengthen our position as to possible demands upon our gold reserves.

The problem now is to so shape our policy as to avoid a calamitous break in the stock market, a panicky feeling about money, a set-back to business because of the change in psychology, and at the same time accomplish if possible some of the purposes enumerated above. I certainly think it can be done, and there are many advantages in having the period of dear money as short as possible. These, briefly enumerated, are:-

- (1) To avoid a precipitous decline in the exchanges, especially sterling, which would weaken the bank position abroad.
- (2) To avoid restriction upon our exports.
- (3) To avoid a chill to domestic business.
- (4) To avoid embarrassment to the smooth operation of the Dawes Plan and the carrying out of Gilbert's purpose to effect a general settlement if possible.

In conclusion, [I think you realize, as I do, that the very existence of the Federal Reserve System is a safeguard against anything like a calamity growing out of money rates. Not only have we the power to deal with such an emergency instantly by flooding the street with money, but I think the country is well aware of this and probably places reliance upon the common sense and power of the System. In former days the psychology was different because the facts of the banking situation were different. Mob panic, and consequently mob disaster, is less likely to arise.]

You see I am not observing your injunction to make no reply to

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your memorandum. In fact, I welcome the opportunity, for it has helped me greatly to arrange my own ideas and prepare for the inevitable discussion when I return. But I am immensely grateful to you for sending it. Please let me know how this all strikes you, when you return the enclosures.

My best as always.

Sincerely yours,

Dr. Walter W. Stewart,
C/o Bank of England,
London.

BS:M

THIRTY THREE LIBERTY STREET

NEW YORK

PERSONAL

August 17, 1923.

My dear Walter:

You would have heard from me before this, about some new developments in my physical well-being had I not been too uncertain of the situation to write you. I think now I can do so with more definiteness than I could even yesterday.

For some time I have been suspicious of the pain that I have had in my abdomen, and immediately on returning intended to find out what was the matter and what had to be done. A very thorough X-Ray examination discloses the fact that I am suffering from an old diverticulum.

It seems that sometimes, either congenitally or because of some slight infection in the intestine a bubble or blister forms in the wall similar to a blister in an automobile tire, because of a weakness in the wall. This gradually expands and gradually forms what is almost identical to a tiny appendix. Then, because substances gather in the sack, inflammation sets up and trouble arises. In my case a trouble of that sort probably occurred some time ago and resulted, when the difficulty healed, in a definite stricture in the lower part of the sigmoid. These diverticula are not at all uncommon. The unusual feature in my case, of course, was that it had become inflamed or infected and then healed and left the stricture. Recently my illness and depleted condition and all the medicine I had to take caused some inflammation to arise which probably resulted in some swelling or further contraction, and when we finally got a complete knowledge

of the situation it looked as though I might have a complete stoppage. This would necessitate an operation, the outcome of which would be very problematical indeed. In fact, Dr. Pool, whom we consulted, said that that was the very last thing he would attempt, as it would mean the cutting out of a section of the intestine.

So for the last week we have been rather on edge wondering what would occur. I have had no particular discomfort, no temperature or anything of that sort, and most of the disturbance has been mental. Fortunately, the last two days disclose that there is not going to be a complete stoppage, and the doctors feel that a very careful diet and a routine especially designed to deal with such a case will keep me going pretty well. I shall need to be careful for years. In fact, for the immediate future I will be greatly restricted in my activities and subject to all sorts of limitations on diet and the need to keep near the doctors for regular examination.

At first I was a bit discouraged and depressed. The two boys were here and we decided that if we made every preparation for a fatal outcome the emergency would not arise, so I spent a couple of days getting up a new will and arranging my affairs all in apple pie order. I guess the mind controls the body, because today the thing seems to have pretty well cleared up for the moment, and I am feeling as fit as a fighting cock. However, as a result of this disclosure it means that I now have two swords of Damocles hanging over me instead of one. It means that I must be very good indeed. But don't you for a minute believe that my spirit is broken or that I am not just as tough an old piece of

leather as always, and I fully anticipate pulling out of this by hook or by crook.

I was contemplating cabling about it, and then thought that any cable would be so misleading as not to be worth while. If anything new develops I may cable you, but now I anticipate nothing of the sort.

Would you mind showing this letter to Cecil Lubbock? I want you and him and the Governor to understand exactly what the situation is, but I don't want any of you to worry a bit about me because I am not worrying about myself.

My most affectionate regards to all of you.

Sincerely yours,

BEM

Dr. Walter W. Stewart,
Care of the Bank of England,
London, E. C., England.

I'll write you soon of my plans.

COPY

CONFIDENTIAL

270 Park Avenue

August 16, 1928

Dear Walter -

I had to dictate an account of my last stunt, not feeling equal to much pen work. Now I'm much better and can send a few lines. The immediate crisis was due to the large amount of barium in my upper intestines, necessary for the X-ray, which threatened to plug up that stricture. That has now mostly passed out and the need for any emergency cutting is therefore past. But I have a long period of great care with diet, etc., before we can tell how safe the situation is.

Of course I had promised Eleanore to keep her informed fully of any illness so had to cable her just what the trouble was. She begged to come home (would have come anyway) and in 24 hours was in Paris and the next day on the way to board the Berengaria. I will be so glad to have her here. This will change all my plans for a time and, in fact, prevent any plans for Europe until any danger of emergency is passed. So we will see what we shall see, as Prosper said. Now that Eleanore is returning I can lick this new enemy and intend to do so horse, foot and dragons. So don't you worry!

Ben and Laura his wife and Phil are overjoyed by my news of Eleanore and what we propose and have all sent her bully cables. They are relieved from a great anxiety about my care and protection, and they have already met her. But you will miss the opera! It's great to have such children as mine. They satisfy me in every particular.

270 Pitt. Street

August 11, 1949

This must do for today. Please write me and enclose a line for Eleanore to cheer her on.

Affectionately,

BEEN

I have no pain nor fever, nor even a nurse, and am up in my wrapper most of the day. In fact, am more comfortable than when I was abroad, especially as we now know the enemy and can face him!

Of course I had promised Eleanore to keep her informed fully of any illness so had to cable her just about the trouble and she cabled to come home (could have come anyway) and in 24 hours was in Paris and the next day on the way to board the Normandie. I will be so glad to have her here. This will cancel all my plans for a time and, in fact, prevent any plans for Europe until any danger of emergency is passed. So we will see what we shall do, as Prosper said. Now that Eleanore is returning I can lift this new enemy and intend to do so home, foot and draft me. So don't you worry!

Ben and Laura his wife and Paul and employees have news of Eleanore and what we propose and have all sent her fully cables. They are relieved from a great anxiety about my care and protection, and they have already met her. Don't you all miss the opera! It's great to have such children as mine. They really are in every particular.

270 Park Avenue

Sunday, August 26th, 1928

Dear Walter -

I have better news for you and would have cabled it did I not fear you were off on your vacation. The most important is that Eleanore came in Friday evening (within an hour of the boat docking) full of confidence and as sure that I'm getting well as I now am. I never knew anything like it - nothing can shake her doubt free attitude. It was what I most needed, and here I am about well again. Yesterday afternoon we motored to White Plains and spent the night with Ben and Laura. I have just returned and frankly would never have known I had been within an ace of passing on! My diet is, of course prepared like baby food, and I am under rigid supervision, but all that d--- barium is out of me and the inflammation seems to have subsided so that my machinery works about normally. I'm having every known test made, and seem to be in perfect shape, only some elaborate heart exam's still to do. But there is no doubt about my old heart - it has seen me thru worse scrapes than this. I have about arranged all details so as to quit about October 1, but meantime will do no work. Just see folks up here, later on. Tomorrow E. and I go to stay with Ben and Laura for a week or so. They are all so delighted with my news and so grateful to Eleanore and she has so captured their affection, that I fear she will be hustled into a church any moment whether she is ready or not. But as yet no plans are made and it is only decided

that I must have a home just as soon as one can be had in the right place, and a good cook! More important than a doctor now. All of this Eleanore takes as simply making her new career more important and interesting and more worth while. How well this proves all that I have known, and you discovered in Paris. Prior to Eleanore's return I was restless and rather blue, or would have written you by an earlier boat. But I am so much better in spirits and in body, that it's just a question of time now before I'm better than ever. This letter is frankly all about myself, and I have little office or other news to send as I have really been just resting. No bank callers save Owen Young, no telephones, no Strongs even! This week Phil is married at Ballston but I shall not risk going. It means three nights away and change of food, etc., which might cause trouble.

Now don't be anxious about me. I'm on the road to health and full of confidence and very content.

With much affection,

Yours

BEN

I have about arranged to get off to Europe about October 1, my departure will be in week. I am not sure yet, but I am sure I will be in Europe. I am going to stay with Ben and Laura for a week or so. They are all so delighted with my news and are quite full of Eleanore and she has expressed their affection, and I fear she will be hustled into a certain way of thinking, but I don't know. It is not yet decided whether she will be ready or not, but it is not yet decided.