

No. 120 .0

Federal Reserve Bank

District No. 2

Correspondence Files Division

STRONG PAPERS

SUBJECT

1.)

STRONG TO WARBURG

1918 - 1928

FEDERAL RESERVE BANK
OF NEW YORK

Sent by

(SEND TO FILES)

COPY OF TELEGRAM

September 7 1918

Paul M. Warburg

Benfon Hotel PLEASE FORWARD
Portland Oregon

The evidence of good spirits in your postal gives me great joy

Love to you and Nina

BENJ. STRONG

Charge Benj. Strong,
15 Nassau Street, New York.

November 6, 1918.

Dear Warburg:

I am just passing through the city to-day on my way to Washington and find yours of the first on my desk. You may be assured that I will read the Owen article with great interest and write you about it just as soon as I get back.

The chances are that on returning from Washington I will make myself a guest at Hartsdale for a bit and chew the cud of idle contentment with you, if you feel disposed to give me shelter. I don't want to be at the office more than necessary for a while, but am not sure of the wisdom of being very far away. Besides that, a bit of intellectual stimulation, in our old style, will do me a lot of good.

Don't you worry about my forgetting friendships! For the last month or six weeks I have been buried up to my elbows in Liberty Loan work, but now that it's behind me, I am really looking forward to a quiet time with you in the country.

Please give my love to Nina, and my best to your good self.

Sincerely,

Paul M. Warburg, Esq.,
Hartsdale,
New York.

BS/MSB

November 20, 1918.

Dear Warburg:

I am just back from Washington, my stay having been protracted beyond all expectation. This week, and probably Sunday as well, I will be busy cleaning up and getting ready to go away for a while. Just as soon as I get the burden of accumulated work off my desk, however, I am going to run up and spend at least one night with you, if you still want me.

I finished reading the article on Owen's investigation while I was in Washington, and was very much impressed by it. I hope, however, that just now, with things in their present position, you decide not to publish it. When I see you I can explain the reasons in detail.

With best regards to all the family, I am,

Sincerely,

Paul M. Warburg, Esq.,
Hartsdale,
New York.

BS/MSB

FILING DEPT.

MAR 5 1919

FEDERAL RESERVE BANK

Lake George, N. Y.,
February 11, 1919.

Dear Warburg:

I was delighted to have yours of the tenth, and to be able to answer it at once without taking a pen in my fist. *Rec'd*

I have finally decided to go to New York for the dinner Friday night, but owing to your not attending, it looks as though we might not be able to meet, because I must run over to Princeton to see my son Grandin, and then I was obliged to make an appointment with Henry Fletcher, our ambassador to Mexico, who wants to see me about an important matter and is coming over from Washington for that purpose.

I shall come back here at once, as I don't want to get my feet tangled up in the machine at the bank.

I read the extracts from the address accompanying your letter in the various New York papers, as well as the editorial comment, and as soon as I had a considerable accumulation of mail behind me, intended writing you about it. I am glad to have the text in full, which I am just engaged in reading.

I won't comment upon the article until I have finished it, but, meantime, I gather that you have made a pen strike in good style and that it is very likely to draw you into the maelstrom again and keep you busy for a while. I am mighty glad of it, although it is a controversial question, this railroad matter, and you must muster up enough philosophy to be abused a bit and not feel badly about it.

When dictating the first of this letter, I failed to consider that you are now in the city, and it may be that I can have a visit with

FILING DEPT.

Sheet No. 2 MAR 5 1919 Mr. Warburg.

Lake George, N. Y., 2.11.19.

FEDERAL RESERVE BANK

you after all.

I am stopping up here under conditions which I hoped and intended would make it the dullest possible existence, that being what I needed, but, as usual, my mail piled up to such an extent that I had to get help, and now I am doing a little work every day.

About the budget question - While I am reasonably optimistic about a lot of things in this country in the future, so far as its business is concerned, the political aspects of it are very troubling. I fear a Republican Congress and Democratic Administration on the one hand, which is likely to produce a deadlock, and, on the other hand, when one or the other party gets its hands on both ends of the stick, I dread the exploitation that may result. Congress has got a taste of high taxes and the fun of spending the money. As nearly as I can see, as against a pre-war budget of about a billion dollars, two and a half billions is about the smallest that we can expect, and it may run higher than that, depending largely upon the rapidity with which we pay off the debt and the extent to which Congress is willing to disburse the funds in public enterprises, public buildings and the usual log ruling.

I have been much disappointed in not having that promised visit with you, but it couldn't be helped. My health made it imperative that I get away at once and stay away as long as possible. This loaf is doing me a lot of good, and I think by April I will be able to get back on the job. It is easier in summer, anyway, as I can get week-ends in the country for golf.

Sheet No. 3

Mr. Warburg

Lake George, N.Y. 2.11.19.

FILING DEPT.

Won't you give my love to Nina and my best to your good self.

MAR 5 1919

Faithfully yours,

FEDERAL RESERVE BANK

Paul M. Warburg, Esq.,
17 East 80th Street,
New York.

BS.MSB

April 3, 1919.

in file 796

Dear Warburg:

The enclosed redraft of the budget letter may not meet your views at all. Please don't hesitate to chop it up and send it, so chopped, to John Pratt. He may be sensitive about having his letters torn apart, but I have gotten all over that during the past five years, so crack away at it.

I was very sorry to miss your address last night.

Faithfully yours,

Paul M. Warburg, Esq.,
17 East 80th Street,
New York City.

BS/MSB

London, September 15, 1919.

Dear Warburg:

It was most disappointing that we were unable to have a meeting in Amsterdam, as there are many matters which I was most anxious to discuss with you which would take some days of continued discussion and seem quite impossible to cover by letter without misleading.

Next best to having that meeting I am writing Kent, whose address just now is 5 Rue Scribe, Paris, asking him to arrange, if possible, to meet you either in Amsterdam or London, as he is quite familiar with the ground that we have covered and can bring you right up to date.

I am leaving London Friday morning and sailing from Liverpool Friday afternoon on the Baltic, but if I can squeeze time to dictate a decent letter between now and then I will do so.

Meantime my best regards to you and success to your efforts for your brother-in-law.

Sincerely yours,

Paul M. Warburg, Esq.,
c/o Messrs. Hope & Company,
Keisersgracht, Amsterdam, Holland.

BS/V

TELEGRAM

London, September 8, 1919.

PAUL M. WARBURG

Sarvetta House

St. Moritz Switzerland

Just returned from Amsterdam stop Am sailing on nineteenth stop
Sorry we missed meeting as I had planned stop Kent remaining for
present address Claridge's Hotel stop Is there any chance your being
in London stop Reply care Morgan Grenfell Best regards

BENJAMIN STRONG

February 3, 1923.

Dear Mr. Warburg:

I just read your Boston speech yesterday with a great deal of interest, and confirm your thought that it would also afford me some amusement.

You may be astonished to have me write you that I seem to feel a good deal more sympathy for the purposes of the Agricultural Bloc than seems to be generally the case in this neighborhood. On the other hand, I do not like some of their methods, or at least some methods that are attributed to them, and my hesitation in charging them against the Agricultural Bloc specifically is because of the knowledge, unescapable for us in the reserve system recently, of the way in which people can be charged with things when they are not guilty.

Yours sincerely,

Paul M. Warburg, Esq.,
31 Pine St.,
New York, N. Y.

BS.MM

Yellow copy on 780.1 N.Y. Clearing House - Rates

CONFIDENTIAL

November 2, 1922.

Dear Warburg:

Your note of November first is just received and I have read the enclosures which accompanied it.

Will you kindly regard this reply as confidential and not quote from it, as the subject referred to in Mr. Wolf's letter was the occasion for some strained feeling between certain members of the Clearing House and the Federal Reserve Bank, and we wish to do nothing either by our attitude or by anything that we may say or write to promote a continuance of that feeling. Let me say generally that the officers and directors of the Federal Reserve Bank believe that the Clearing House Association has an important function to perform in this city and that it is now and always has been our desire to see its influence among its members strengthened in any and every proper way.

It has not been our intention to influence the Clearing House, in this matter, to take any one or another action in regard to interest rates so long as that action did not directly affect the policies or the affairs of the Federal Reserve Bank. Therefore, the only ground upon which we felt willing to take exception to the proposed amendment to the Clearing House's constitution which was made effective July first of this year, and which is all set out in the enclosed circular, was as to those matters which directly related to the Federal Reserve Bank, and we regarded them as two: (1) When the Clearing House Association subjected the great bulk of deposit balances held by the members of the Association to an automatic and purely mechanical schedule of rates which was directly determined by our rate of discount, it appeared to us that it introduced a new element or a new consideration of such importance

in fixing the discount rates of the Federal Reserve Bank that it imposed upon the directors of the bank an obligation which they felt unwilling to assume without making objection and certainly without having opportunity to explain their objections to the members of the Association. (2) The second ground of objection related generally to the banking position in New York in which we have a deep concern by reason of the fact that this was a definite and arbitrary limitation upon interest allowed upon deposits of practically every character by practically all of the large banks of New York, the total amount so affected being possibly as high at times as \$4,500,000,000. We felt that such an arbitrary control of interest rates by the Clearing House Association had objections which the Federal Reserve Bank was called upon to voice when the action was proposed.

Not wishing, however, to impose our views upon the Clearing House, we simply advised them that we viewed the proposed action with concern and expressed the hope that some other method of dealing with this subject could be found that would meet the objections above suggested.

Without desiring to impose our views upon the Clearing House in any way, we did tentatively and unofficially indicate to some of the members of the Clearing House Committee that the practice which had long prevailed in London was in our opinion more applicable to the situation in New York than that which was proposed by the amendment to the constitution of the Clearing House, namely, that whenever the discount rate was changed the Clearing House would meet, take into consideration both the effect of the change by the Federal Reserve Bank and the general level of interest rates as well, and then after a review of conditions determine whether any change in interest rates upon deposits was justified or not.

This would make the action of the Clearing House in changing deposit interest rates dependent not alone upon our discount rate but upon general conditions, and would relieve our directors of the responsibility now thrust

November 2, 1922.

upon them without volition on their part, of arbitrarily fixing the rate of interest on practically all deposits carried by the New York Clearing House banks.

One of the immediate effects of the amendment to the constitution was the withdrawal of four or five of the smaller members from the Clearing House, and I have been told that others are contemplating that action but have not yet arrived at any decision. We are hopeful that with further experience under the present rule the members of the Association will find it advisable later to change it somewhat along the line above indicated; but it is not a matter in which we wish to do more than express our views to the Clearing House Association, and that was done last June when the action was first proposed.

Some members of the Clearing House, including some important institutions, were definitely opposed to the plan, although it was ratified at a Clearing House meeting by the large majority of the members.

Will you kindly hold this letter in strict confidence. I am sending this you/detailed reply because of your connection with the Federal Reserve Bank and because it has a direct bearing upon the consideration of discount rates which must be given from time to time by the members of the Federal Advisory Council.

With best regards, believe me,

Yours very truly,

Benj. Strong,
Governor.

Paul M. Warburg, Esq.,
31 Pine Street,
New York City.

BS:MM

Enc.

yellow copy on 780.1 N.Y. Clearing House - Rates

Confidential

November 6, 1922.

Dear Warburg:

With this I am returning the correspondence which accompanied your letter of November 3.

Referring to your comments upon the action taken by the Clearing House Association, I think you will realize that we have felt it necessary to limit anything in the nature of criticism or suggestion simply to those features of the plan which undoubtedly had a direct and important effect upon the policies of the Reserve bank, and those are as I described in my letter of November 2.

As to whether the arrangement - upon other grounds than those named in my letter - is a wise one or not, I feel that it is the responsibility of the Clearing House banks themselves to determine. I do not believe any more than you do in unrestrained competitive bidding for deposits, and I have always believed that the effect of such a development is bad and against the interest of both depositors and borrowers. We certainly witnessed a period immediately prior to the panic of 1907 which illustrated what harm could result from such lack of restraint by bank officers. I have always felt personally - as I believe you do - that one of the worst features of this competitive bidding for deposits was that it applied especially to the deposits of out of town banks and that such competition was liable to have a bad effect upon the affairs of the Federal Reserve System.

Whether it is wise, however, for the Clearing House Association to go as far as it did in fixing arbitrary limitations upon interest payments is a question which I think would require more consideration and study than we have yet given it to justify me in expressing an unqualified opinion.

November 6, 1922.

Mr. Platt's views were expressed without any conference with us and I hesitate to comment upon them. Might it not be desirable if you could get a more explicit expression from him than was contained in the rather brief reference in his letter to the objection which we had offered to the proposed Clearing House rule?

Yours very truly,

Benj. Strong,
Governor.

Mr. Paul M. Warburg,
31 Pine St.,
New York City.

BS.MM

Enc.

November 20, 1922.

Dear Warburg:

Thank you very much for sending me the interview which your brother never gave out. I have not yet had a chance to read it, but will do so with much interest.

It was a pleasure to meet him and I wish I had had more opportunity for a visit with him but I know he was very busy and I happened to be exceedingly engaged during the time that he was here.

Very truly yours,

Paul M. Warburg, Esq.,
31 Pine Street,
New York City.

BS.MSB

December 20, 1922.

Dear Paul:

I am sending you a funny little remembrance for the holidays in the shape of a book that looks ponderous enough to keep you pretty busy for a while; if indeed you have time for literature on the subject of money and foreign exchange.

I am also sending you a tiny little volume by my friend Herbert Hoover, which I hope the Mrs. will read with some interest.

At any rate, the most important thing is what accompanies the books, which is my own good wishes.

Yours sincerely,

Mr. Paul Warburg,
31 Pine St.,
New York City.

BS.MM

March 8, 1923.

Dear Paul:

Many thanks for sending me the enclosed. It is
mighty interesting!

It was good to have that little visit with you.

Good bye, old chap. My love to the family.

Sincerely yours,

Honorable Paul M. Warburg,
31 Pine Street,
New York City.

BS.MSB
Enc.

September 7, 1923.

My dear Mr. Warburg:

I am to-day forwarding to Governor Strong at Colorado Springs, the copy of the book "Germany's Capacity to Pay", which you were good enough to send him with your compliments. Needless to say he will be glad to have it and that he is most appreciative of your courtesy in favoring him with a copy.

With many thanks, believe me,

Yours very truly,

Secretary to
Mr. Benj. Strong.

Mr. Paul M. Warburg,
17 East 80th St.,
New York, N. Y.

November 30, 1923.

Dear Paul:

I have just finished reading the draft of the annual address, received with your note of the 28th. Of course, everything that you write is thoughtful and interesting and I feel so about this. The only specific suggestions I have noted on pages 7 and 12; but I must say that I don't agree about the tax exemption. The whole tendency is "against it". These tax exemptions are special privileges and class privileges. As soon as we get one exemption, the most casual application of logic proves the need and justice of another, and so it goes until the whole system is based upon an intricate set of privileges and exemptions, one balancing the other. I took the liberty of mentioning the matter to two or three of our intimates, after you spoke of it, and everybody said it was unwise. On the other hand, I fear it would be equally impracticable to suggest accomplishing the same result by asking Congress to eliminate the tax exemption from the certificates of indebtedness; and yet there is good sound logic for that course. It would reduce the attractiveness of the certificate to the banks which now buy them in such large amounts, would effect a wider distribution among true investors, and would reduce the inflationary tendencies growing out of the Government's borrowings. But I gathered from the look in your eye when I was in your office that you had your heart set on this idea, so I won't burden you with any more argument.

Sincerely yours,

Mr. Paul M. Warburg,
31 Pine St.,
New York, N. Y.

December 27, 1923.

Dear Paul:

Thank you for yours of the 20th, enclosing a copy of your letter to Mr. Winston. You certainly have the gift of persuasion, but frankly I can not bring myself to agree to the proposal. Two wrongs do not make a right. Certificates of indebtedness should not obtain the tax exemption which they now enjoy. Neither should acceptances. It seems to me a very unsound foundation upon which to develop our acceptance market, and one which will be liable to subsequent tinkering and ~~st~~ again cause readjustments. This will cure itself in time when the volume of the short-time obligations of the Treasury is very much reduced or entirely disappears, and I am very sure that ~~for~~ the banking community now to press for tax exemptions at a time when everyone is complaining that the farmers are given this particular benefit as a class or sectional concession, and when complaint is general in regard to all tax exempt provisions of law, is a mistake and will bring a lot of criticism and opposition.

Sincerely yours,

Mr. Paul M. Warburg,
31 Pine St.,
New York, N. Y.

BS.MM

January 2, 1924.

Dear Paul:

It seems to me that Mr. Winston's letter is a very sound one. If the Treasury is willing in fact as well as in theory to advocate the elimination of tax exempt securities, here is an opportunity to demonstrate that fact; and while it might militate against the market for their short-term paper, it would certainly be helpful to the acceptance market so far as competition goes. Has not Mr. Winston pointed the way out of the dilemma?

Sincerely yours,

Mr. Paul M. Warburg,
31 Pine St.,
New York, N. Y.

BS.MM

January 31, 1924.

Dear Paul:

I enclose a check for \$100.00, which seems a very small sum to send in reply to your letter, but you have told the story yourself better than I can, and I will ask you to accept this as evidence of my sympathy with what you and the others are doing.

If we could also get up a fund for the purpose of incarcerating some of the dumb heads around the world, I would like to contribute to that, but I am afraid the jail we would have to build would be rather large.

Yours sincerely,

~~Mr. Paul M. Warburg,~~
31 Pine St.,
New York, N. Y.

BS.MM
enc.

March 11, 1924.

Dear Paul:

The weather is so bad that I am uptown today or I would have a talk with you about the enclosed cables which you were good enough to let me see.

The situation has not justified my taking active part. It really was a shame that I was not able to be abroad and give Young a few suggestions on the side, but the situation did not justify it or I would have been there. Please consider this quite confidential.

Yours sincerely,

Mr. Paul M. Warburg,
31 Pine St.,
New York City.

BS.MM

enc.

June 9, 1924.

Dear Paul:

I was so sorry to have missed you before leaving for Washington, but your letter came in good time and I took the opportunity of handing one copy of the regulations which were enclosed with it to Miller of the Reserve Board. He seemed much interested and promised to read it. I had a talk with the Federal Reserve Board about this question of domicile bills growing out of domestic German trade and failed to discover that there is any objection in their minds to your going ahead with the program which you outlined to me, to increase the amount of the credit if requested to do so by your friends abroad.

I think you understand our position, which is, that we must carefully avoid appearing in any way as being an original party to the transaction. If the bills are offered to us in suitable amounts and in good form, it is our expectation to take them in due course; but you understand that the bank cannot make any permanent commitment. We would expect to treat them the same as any other good bill, subjecting them to the usual tests and being free, of course, to reject them at any time.

Yours sincerely,

Mr. Paul M. Warburg,
31 Pine Street,
New York City.

BS:MM

CONFIDENTIAL

Warburg
June 13, 1924.

Dear Paul:

Thank you for your note of the 12th. The enclosure is most interesting.

About those bills; - an intimation has reached me that they are clean enough in appearance to be real finance bills, and I am taking the liberty of asking Mr. Kennel to have a little chat with whoever is acquainted with the detail in your office, so that I may know just a little more about it. Of course, we want to be careful not to get too many riders on a willing horse.

Yours sincerely,

Mr. Paul M. Warburg,
31 Pine St.,
New York City.

BS:MM

Warburg

June 17, 1924.

Dear Paul:

Thank you for your note enclosing Morss' letter, which I return. It will not be difficult to make the situation clear to Morss, but I think it is one about which much misunderstanding can arise if undertaken by correspondence. Why couldn't we get Morss over here some day and have lunch. My own engagements are such that I would probably not be available the early part of next week; otherwise any time would suit me.

Yours sincerely,

Mr. Paul M. Warburg,
31 Pine St.,
New York City.

BS:MM

enc.

Warburg

June 20, 1924.

Dear Paul:

I am returning Morse's letter. I think he is right about Convention week, and besides I must be in Washington the early part of next week, probably getting back on Thursday the 26th. The following week comes the Fourth of July, and while I have no engagements the early part of the week, the last of the week I want, if possible, to go out of town over the holidays and not return until the 7th or 8th; so the free time is the fore part of the week commencing the 29th or sometime after the 9th of July. Anything you arrange will suit me, and I hope you will let me know promptly so that I can fit it in with other engagements.

Yours sincerely,

Mr. Paul M. Warburg,
31 Pine St.,
New York City.

BS.MW
enc.

Warburg
Palm Beach, Fla.,
February 6, 1925.

Dear Paul:

It was good of you to send me the confidential report made to the stockholders of the International Acceptance Bank. You may be sure that I have read it with pleasure and keen interest. As you know, my interest in your development is quite genuine. And I hope the enterprise is successful.

I am having a grand loaf down here, and, in the light of reports on your weather in New York, am particularly glad to be here at this time. But I shall shortly be back again, and hope then to come in to see your new quarters. |||

Sincerely yours,

P. M. Warburg, Esq.,
52 Cedar Street,
New York City.

BC.MSB

Warburg

March 9, 1925.

Dear Paul:

I was only able to read your address "Theory and Practice" yesterday, and I want to tell you that I think it takes high rank among your various addresses and papers.

It is a discussion of this matter of prices along the lines which the economists all duck, as I know from personal experience with them.

Sincerely yours,

Paul M. Warburg, Esq.,
31 Pine Street,
New York City.

BS.LS

April 17, 1925.

Dear Paul:

Many thanks for the telegrams and letter you were good enough to send me in regard to the A.B.A. council meeting.

Of course, I am sorry that you could not go, but it does seem as though your deft hand had arranged matters satisfactorily without that meeting.

You know, my dear Paul, so long as I am in this job, the occasion will arise when I must call upon you for help now and then, and this did seem to be one of them.

Sincerely yours,

Paul M. Warburg, Esq.,
52 Cedar Street,
New York City.

ES.LS

Warburg

RECEIVED
MAY 12 1925
FEDERAL RESERVE BANK
ST. LOUIS

May 12, 1925

My dear Mr. Warburg:

I am indeed sorry to say that my search for your copy of "The Federal Reserve System" by Willis has been quite without success. It does not appear to be in Mr. Strong's library at home, nor is it with his books here or in our Bank library. But I know how anxious you are to find it, and I shall be glad to keep it in mind and let you know directly should it turn up.

Unfortunately Mr. Strong does not recall borrowing it, and I am wondering if it would not be worth while to make some inquiries in other directions also.

Very truly yours,

Secretary to
Mr. Benj. Strong.

Mr. Paul M. Warburg.

Warburg

June 11, 1925.

My dear Miss Habrich:

Will you not be good enough to convey to Mr. Warburg Governor Strong's appreciation of his courtesy in sending a copy of Dr. Schacht's June 6 cable, which will, of course, be treated confidentially as requested.

Very truly yours,

MSB

Secretary to
Mr. Benj. Strong.

Miss Margaret Habrich,
Secretary to Mr. Paul M. Warburg,
International Acceptance Bank,
52 Cedar Street, New York.

*Full correspondence re this
on @ 261 Schacht Ba*

Hotel du Palais,
Biarritz, France,
August 7, 1925.

My dear Paul:

While I was in Berlin, Dr. Schacht explained to me a good deal about his plans, including what he had in mind in regard to placing some of the dollar and sterling bills held in the portfolio of the Gold Discount Bank. And he asked my advice as to procedure in case such a transaction seemed desirable. He stated that offers had been made to him by various New York City institutions, all of which he had declined.

I told him that as you had initiated this business, and had been a helpful friend to the Reichsbank in New York, it seemed to me desirable that he should take the matter up with you in case he desired to make any sale. But, in view of criticism which had developed that he was dealing through only one correspondent in New York, that I thought he might be able to make an arrangement satisfactory to you which would leave him free in the future to accept some other offers for this paper in case the criticism made it seem desirable to do so.

Of course the transaction is somewhat unusual, and I am quite aware of the fact that the New York bankers may require a good deal of explanation, which you would be better able to give them than any other. The paper is not of the sort which would pass freely in the market as domestic paper does, and, in a sense, it will require a "father."

I wrote to New York about this matter and have a cable today indicating that possibly some of your associates were a bit irritated at what appeared to be shopping by the Reichsbank among other American bankers. But the report which they send me is rather convincing that this is not the case, but rather that a number of institutions have approached Dr. Schacht with offers for some of the paper, and that this has become known in New York, creating, possibly, an incorrect impression as to his attitude.

They also cable me that they have stated to one New York institution that this paper, accepted in dollars and payable in New York, will be taken in the usual course at the Bank.

I am writing you all of this because just before leaving Berlin I met your brother, Max, at the Reichsbank, and I understood from Dr. Schacht that he would discuss this transaction with him. I have no doubt myself that Dr. Schacht has observed the suggestion which I made in response to his request concerning the way in which the paper should be handled.

Of course you understand that my only desire is to be helpful, and that is the object of this letter.

We have had a fine trip so far, and find Biarritz in every way

Biarritz, France
8.7.25

Paul M. Warburg, Esq.

(2)

delightful, both as to the place itself, and as to the climate. We shall return to Paris on the thirteenth, and after ten days or two weeks there, go on to London, and then sail for home.

I hope you have had a good trip yourself, and that Nina and Betsy both keep well. Won't you give them my best, and the same to yourself.

Sincerely yours,

Paul M. Warburg, Esq.,
c/o M. M. Warburg Sons,
Hamburg, Germany.

P.S. (8.8.25)

I had dictated and was about to send the above letter when your telegram reached me, so I am sending it in care of Dr. Schacht, instead of to Hamburg, and asking him if he will be good enough to see that you get it, as I am not certain whether you are to see him in Berlin or in Hamburg.

Amplifying what I have written above, the impression seemed to have developed in New York, possibly from statements made by one of the trust companies, that Dr. Schacht had made an offering of these bills. But I feel very certain that he would not have done so after our conversation. And I suggest that you talk it over with him quite frankly.

I am sending Dr. Schacht a copy of this letter.

B. S.

Confidential

Marburg

Hotel Majestic,
Paris, France
August 27, 1925.

Dear Paul:

Your letter of August 21 and the copy of the letter which you enclose have just been received and read with very great interest. We can discuss the details of what you have in mind when I reach New York. And I shall see our friend from Berlin in London and have a chance to discuss the matter with him.

My advice to him about the Gold Discount Bank bills was clear enough, and I am sure he understood it. Also I was perfectly satisfied with his intentions, and still am.

The man you mention has been very active in placing short paper in New York in the past, as have two of the other big German banks through their New York representatives. I met these gentlemen before I sailed and told them that I thought it was bad business for Germany, was not particularly satisfactory to us, and that the bills, which were then being sold and which were simply domicile bills, would not go at the Bank. Frankly I do not think either of them liked it. The evidence of the correctness of our position is particularly clear in the embarrassment that some of these short credits have caused the Reichsbank in its devisa account.

I told Dr. Schacht that the only basis on which the Gold Discount Bank paper was justified in New York was the fact that he undertook himself in supervising the affairs of the bank of issue, that the bills actually represented that type of business which produced the devisa to meet the bills at maturity. I also told him that I thought, if he were to market a fresh lot of the bills, he should do it through you, as you had originally introduced the paper in New York and made up the party that handled it; and that he should stick by his friend.

On the other hand, as he had been criticized for having an arrangement which appeared to be exclusive, he could meet that situation by stipulating that he would be free later on, under some arrangement with you, to get a somewhat wider market.

Your brother came into the Bank almost immediately after this talk took place, and while I had no opportunity to discuss it with him, I gathered that the President intended to do so, and that the result would be satisfactory to you as well as to him. Your letter leads me to suppose that he has been possibly somewhat embarrassed by the activities of friends whom he did not wholly control.

It will be best for me to have a frank talk with him in London, based upon a very full report which I have from New York. It will be embarrassing to me if troubles of that sort arise in the New York market, and difficult to keep my own associates sympathetic toward business of this character. It was difficult enough anyway in the first instance.

Paris, France
8.27.25

Mr. Warburg

(2)

About your own proposal, I have some reservations which I will discuss on my return. It would make the new paper entirely of one origin. The security, I fear, would not be regarded as of the same type as goods which go into trade, being, in effect, for consumption by the drawers of the bills. And furthermore, the obligation would be by a concern which is heavily committed and consequently directly involved in the Dawes Plan reparation payments, concerning which our bankers are but slightly enlightened, and they might fear complications and difficulties on that account.

I shall get more light on this after seeing Schacht. Meantime it was very good of you to write me, and most helpful, as you always are.

My best regards to you and to all of the family.

We have had a good trip, but a rather tiring one at times, and I shall be glad to sail on the Olympic on the ninth.

I agree quite fully with what you say about conditions in Germany. Each country over here has its especial situation to deal with. And some of them are complicated and difficult. On the whole there has been improvement, and if some of the arrangements now being negotiated can be concluded, I would look for better days.

If you get home first, please remember me to all of the boys at the bank.

Sincerely yours,

Paul M. Warburg, Esq.,
52 Cedar Street,
New York City.

September 24, 1925.

Dear Paul:

I am just back from Washington and will need a little time to clean up my desk. Dr. Lindsay has been after me about the invitation to Dr. Schacht, which he sent to me and which I am mailing to Dr. Schacht today.

Dr. Schacht decided, while I was abroad, that it would be inadvisable for him to make any public addresses, and in this decision I heartily agreed with him. But further than that, I believe Dr. Lindsay has overlooked one consideration about the meeting of the Academy which would decide me to advise Dr. Schacht not to make the address anyway. Anti-trust legislation has long been the subject of political controversy in this country. Agitation of this subject can well become active at any time in view of the changing and complicated trade conditions throughout the world. It will be very difficult for Dr. Schacht to make an address which might not expose him to criticism and give rise to the suggestion that a foreigner was here advising us how to run our own business. I think it is much better on his first visit to the United States that he avoid anything of the sort which contains even a remote possibility of unfavorable reaction from his visit.

All of this I am writing you very frankly and privately, so that you may understand what will probably be the result, namely, that Dr. Schacht will feel unable to attend the meeting. I hope Dr. Lindsay will not feel disappointed.

With kindest regards and many thanks for your letter, I am

Faithfully yours,

Paul M. Warburg, Esq.,
52 Cedar Street,
New York City.

September 26, 1925.

Dear Paul:

Replying to yours of the twenty-fifth, I have just talked with Dr. Lindsay on the telephone, and explained to him somewhat more fully than in my letter why I believed it would be inadvisable for Dr. Schacht to make the proposed address.

He did not seem to agree with me, and I dislike very much being put in the position of exercising any control over Dr. Schacht's engagements while he is here or of standing between the Academy of Political Science and Dr. Schacht in any arrangement that Dr. Lindsay wishes to make. It is, however, perfectly clear to me that in any advice I give Dr. Schacht, consideration must be given to various circumstances regarding his visit here, which probably and quite naturally would not occur to Dr. Lindsay, and I hope that you will remove from his mind any misapprehension on that score.

You are, I believe, a member of the Committee of the Academy, and so I am particularly pleased to have you write me as you do.

Very confidentially, the date of Dr. Schacht's visit is still uncertain, which makes an added reason why he might be unable to make the address anyway.

About the Council on Foreign Relations, I think we had better talk that over, and possibly we can do so on Monday. I am sorry to have luncheon engagements all of next week until Friday, but almost any hour you name will suit me otherwise.

Very truly yours,

Paul M. Warburg, Esq.,
52 Cedar Street,
New York City.

BS.
msb

Warburg

November 11, 1923.

Dear Paul:

Thank you for your note of November 2, which was awaiting my return from Washington.

I shall read the documents enclosed as soon as possible, but am so behind-hand in reading just now, that it may be some little time before I am able to finish and return the papers.

Sincerely yours,

Mr. Paul M. Warburg,
52 Cedar Street,
New York City.

Warburg

Stuyvesant Road,
Biltmore Forest,
Biltmore, N. C.,
March 23, 1927.

Dear Paul:

Your note of the 17th has just reached me.
It is like old times to get such a note from you, and
of course, I am wondering what you will do about that
article. On the whole I am rather keen that you do
not publish it, but I know your ways, old man, and am
not hopeful.

Sincerely yours,

Hon. Paul M. Warburg,
17 East 80th Street, New York.

BS. Linnard

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., March 8, 1927.

Dear Paul:

The enclosed memorandum contains my recollection of Basil Miles' past record. I think you may know that he is one of my most intimate friends. He wrote me before sailing for Europe that he might have a talk with you about the possibility of his doing something for you abroad. I do not know whether the talk eventuated or not, but if you have it in mind I thought it would do no harm for me to send you something of what I know about him. He is a fellow of the highest character and much ability. Ben knows him very well, and we traveled together in 1920.

My best to you as always.

Sincerely yours,

Mr. Paul M. Warburg,
52 Cedar Street,
New York City.

BS:M

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., March 5, 1927.

Dear Paul:

I was delighted to have your letter of February 25th, and while Mr. Moore is here, am able to send a prompt reply.

Your information is correct, that I am improving, but it is a slow job and up to now has kept me very quiet indeed. I shall shortly be able to take a little exercise.

It is a mistake for you to allow anything to be ruined by those articles, and in some ways I feel that they have been helpful, although, as is always the case with Mr. Glass, they have been written with such vigor as to bring out very strong reactions, such as those which you have felt.

He has, however, evidenced in various places a very great respect for you and for your views, and in general for the great contribution you made to the development of sound banking thought in the United States. We all know how earnestly you devoted yourself to this task for many years, before even Senator Aldrich became interested. In fact, I think everybody recognizes that, but the difficulty arises from the effort of some of your friends, well meant but possibly misdirected, to attribute to you such a large share in the specific authorship of this particular piece of legislation. There is a vast distinction, in a sense, between what you did and what Congress did. The legislation undoubtedly was the result of preliminary work and agitation, as well as definite, unfortunate experience, and as to the preliminary work, your share was so large and

3/5/27.

so well known that its appreciation by the public is in no way altered by the particular expressions used by Senator Glass. I am very strongly of the view that, for your own happiness, you are going to be better off leaving the subject alone.

So far as the historical record is concerned, nothing that has yet been published about the Federal Reserve System is adequate. Most of it has been either twaddle or filled with personal slants of vindictiveness or criticism that condemn it at once as being too partisan and not sufficiently judicial. An adequate treatise on the System will be written, I have no doubt, before very long, free of all the controversial questions. It will become the text-book, and none of us need feel any anxiety upon historical grounds once it appears.

It was like the old days to read your letter, and you won't mind my saying that it is like the old days to be writing you in this vein in reply.

Mc Garrah will be a great addition to our organization, and it goes without saying that he will be a genial and sympathetic associate.

Won't you give my very best to Nina, and always the same to you.

Sincerely yours,

Mr. Paul M. Warburg,
52 Cedar Street,
New York City.

DS:M

Warburg

PERSONAL

Washington, D. C.
May 8, 1927.

Dear Paul:

With this I am returning the papers which accompanied your letter of May 2. Of course, all that I feel about the Strong bill was pretty generally set out in the statements I made to the House Banking and Currency Committee. The question raised by your letter is really as to the attitude which the Merchants' Association should assume in regard to the bill. I am satisfied, from what I hear in various places, that the bill in its present form will meet with strong opposition in Congress. But, of course, it contains many elements of danger, not so much in the language itself, but in the assumptions or inferences which can readily be drawn, or indeed in representations which may be made to the public, especially to the farmers, as to what may be expected from the Federal Reserve System in consequence of such an amendment. There is a real danger here and I have found that members of the committee were very well aware of it. It is, however, too often the case that business organizations, and individuals as well, in opposing legislation which they believe will be harmful, do it in a spirit of hostility which arouses feelings that do no good, and may indeed promote harm. I do not mind saying to you, quite privately, knowing that you will not quote me, that I think a moderate, well considered statement by the Merchants' Association, pointing out these dangers and expressing the hope that no action will be taken by Congress which will invite them, will be a sound and constructive attitude and might help. On the contrary, anything in the nature of an hostile attack on the proposal would, in my mind, do harm.

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further
correspondence
on file
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page 2

Mr. Paul M. Warburg

Washington, D. C.
May 8, 1927.

I know Congressman Strong and respect his convictions and his earnest intention to bring about a constructive improvement. I think he is mistaken and that he has been led into error largely by the activities of the Stable Money Association (if that is the right title). That organization, and some gentlemen whose opinions carry considerable weight, such as Professor Commons, have favored legislation along this line on the theory that the Federal Reserve System can accomplish the impossible. Therein lies the danger.

If, as I anticipate, further hearings are held next winter, I believe it can be arranged to have further evidence taken by those who would oppose the legislation, and possibly that would be the best avenue through which views could be expressed. If, therefore, the Merchants' Association desires to respond to Congressman Strong's appeal, it seems to me they should do so in such a way as to give them an opportunity to be heard, and when the hearing occurs they should be adequately represented by those capable of discussing the subject.

Does this answer your question?

My best regards to you, old man. I see your heart is with us and your spirit unflagging.

Sincerely yours,

Mr. Paul M. Warburg,
52 Cedar St.,
New York, N. Y.

BS.MMc
Encs.

Warburg

February 9, 1928.

Dear Sir:

Mr. Strong has asked me to write you that he is very appreciative of your interest in his convalescence. He has been improving steadily, although more slowly than we had hoped, and is not doing much in the line of correspondence. He has received your letter of January 18, and is looking forward with pleasure to reading your annual report.

Very truly yours,

Secretary to Mr. Strong.

Mr. Paul M. Warburg,
52 Cedar Street,
New York City.

