

PERSONAL:

August 8, 1927.

My dear Governor Inouye:

It seems desirable that I should write you something of the reason for our recent change in discount rate, especially as your representative in New York has made personal inquiry on the subject.

Under ordinary circumstances at this season in the year when demands upon us for credit for crop moving and other business purposes are generally rather heavy, we would not have reduced the rate, and certainly not in the face of a very active speculation in securities which is taking place in New York and which is employing a very large amount of credit. Outweighing these arguments, however, were the two principal ones of the need for easing the movement of the crop this year with as moderate credit charges as possible, and more especially of the need for easing the strain which seems to have been developing upon European exchanges which, if allowed to continue through the fall and early winter when such heavy payments have to be made to us for our exports, might have imposed a very heavy strain upon European Bank reserves and been accompanied by a very heavy movement of gold to this country.

In a word, it seemed better to let the speculator profit as he would, and possibly later pay as he likely must, for speculative excesses, and develop such a relationship between the level of money rates in this country and in European markets as would insure comparative ease in meeting payments in this country over the next few months.

For a time this spring and early summer there appeared in different

8.8.27.

sections and various industries in the United States some slight recession or hesitation in business. It may well be that this reduction in discount rates which is now effective in five of our Reserve Banks will prove to be some stimulation to business. And as the ^{crop}prospects now seem to be favorable, we are hopeful that the business reaction which has been prophesied off and on for some time may not occur.

Barring the speculation in stocks above referred to, the business situation and our money markets, and particularly our Government finances, are all in most comfortable position and we felt that slightly lower money rates would be some contribution towards continuance of these conditions.

I shall be most pleased indeed to hear from you of developments in Japan. We read what is sent to us and what is published in the press with great interest and are encouraged to believe that your recent difficulties are working out satisfactorily. We certainly hope so.

With assurances of my esteem and best wishes to your associates,
believe me

Faithfully yours,

Mr. Junnosuke Inouye,
Governor, The Bank of Japan,
Tokyo, Japan.

Ms. Personal

Tokio

Sent May 11, 1927.

Rec'd May 11, 1927.

Federal Reserve Bank of New York,

New York City, N. Y.

For Strong

Deeply touched by your kind message Please
accept my sincerest thanks.

Junnosuke Inouye.

OUTGOING CABLEGRAM

copy

New York N Y

May 10 1927

Nihonginko

Tokio Japan

For Inouye

Hearty congratulations and welcome back into the family.

Strong

December 4, 1924.

Dear Mr. Inouye:

I am today giving my friend, Mr. Jerome D. Greene, a letter of introduction addressed to you, a copy of which is enclosed with this.

Mr. Greene is a partner in the American banking firm of Lee, Higginson & Company, one of the leading firms in this country with a large responsibility, and bears a very successful and honorable record in the handling of security issues and a general banking business. They have offices, as you no doubt know, in Boston, New York, London and elsewhere.

Mr. Greene, I understand, is visiting Japan for the purpose of investigating business enterprises, and I commend him to your consideration and courtesy. He is a warm personal friend whom I have known for many years, and you may deal with him with confidence.

Assuring you of my appreciation of anything you may be able to do to further the object of his trip, which indeed may prove to be equally in the interests of your country, I beg to remain

Very truly yours,

Honorable Junnosuke Inouye,
31 Mikawa-dai - machi, Azabu
Tokyo, Japan.

Enc.

October 31, 1924.

My dear Mr. Inouye;

I was just favored with a call from Mr. Takashi Aoki, who presented your letter of introduction of September 29.

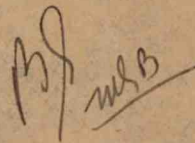
I assured Mr. Aoki that if there was anything I could do to facilitate his work in London, it would indeed be a pleasure, both on your account and his own.

I was unable to show him our bank personally, but some of our other officers did so, and I believe he was greatly pleased.

Hoping that you keep well, and with warmest regards,

I am

Yours sincerely,

A handwritten signature in dark ink, appearing to be 'J. Inouye' with a flourish underneath.

J. Inouye, Esq.,
31, Makawadai-machi, Azabu,
Tokyo, Japan.

BS/LS

Inoue

October 28, 1924.

My dear Mr. Inouye:

It was a great pleasure on my return to the office yesterday after a month's holiday, to receive your very kind letter of September 29.

Your visit here was altogether too short to afford me an opportunity which I really desired to return, at any rate in part, some of the many courtesies which you extended to me while I was in Japan. You surely must visit us again.

It will interest me very much to learn something of your plans as soon as you are able to write me. I have wondered whether your short political career might subject us to the misfortune of our not having any further association or contact with you in connection with our bank matters, which would be a source of grief to all of us.

With kindest personal regards, believe me,

Most sincerely yours,

Mr. J. Inouye,
31, Mikawadai-machi, Azabu,
Tokyo, Japan.

BS.WSB

ACKNOWLEDGED

OCT 31 1924

R S

FEDERAL RESERVE BANK
OCT 31 1924
ST. LOUIS, MISSOURI

31, Makawadai-machi, Azabu,
Tokyo, Japan.

September 29th, 1924.

Dear Governor Strong,

I venture to introduce to you Mr. Takashi Aoki X
of the Bank of Japan who is just leaving here for London
as superintendent of its agency there.

I wish you would kindly receive him when he will
call on you, and whatever courtesy you may extend to
him will be greatly appreciated by me.

Yours sincerely,

J. Snouye

Benjamin Strong, Esq.,
Federal Reserve Bank of New York,
15 Nassau Street, New York.

31, Mikawadai-machi, Azabu,
Tokyo, Japan.

September 29th, 1924.

My dear Governor Strong,

I am glad to tell you that I returned home safely on the 25th of August via Canada, and take this opportunity of expressing to you my sincerest thanks for all your courtesies extended to me while staying in New York.

In this short note telling you of my safe voyage home, I cannot allow it to pass without adding a line to say what a pleasant time I had enjoyed with you in New York. Indeed, the time which had been spent with you has been the most enjoyable and interesting one in my present visit to America and Europe, that I never forget and will cherish long in my life, and I am exceedingly grateful to you for the best opportunity afforded to me to renew my friendship with you and to have had such a nice time to enjoy with you.

With kindest regards,

Believe me

Yours sincerely,

J. Duong

Benjamin Strong, Esq.,
Federal Reserve Bank of New York,
15 Nassau Street, New York.

The Yokohama Specie Bank, Limited,

7, Bishopsgate, E.C.2.

19th March, 1924.

My dear Mr. Strong,

Your very kind letter of the 20th ultimo was handed to me immediately after my arrival in London and I am extremely obliged for the very comprehensive personal views you have furnished to me in respect of the negotiations in the matter of the recent Japanese Government Loan so successfully issued.

Mr. Kengo Mori and Mr. Konojo Tatsumi have also acquainted me with the invaluable advice you tendered and the help you afforded, and I would wish to express to you my most sincere thanks.

According to my present plans I propose to stay in this country and on the Continent until August. I hope, therefore, to be in New York in the early autumn, when I am anticipating with

much pleasure, accepting your kind invitation.

In the meantime, with best wishes, believe me,

Yours very sincerely,

J. D. Snow

Benj. Strong, Esq.,
Federal Reserve Bank,
NEW YORK.

CLASS OF SERVICE	SYMBOL
Telegram	
Day Letter	Blue
Night Message	Nite
Night Letter	N L

If none of these three symbols appears after the check (number of words) this is a telegram. Otherwise its character is indicated by the symbol appearing after the check.

WESTERN UNION



TELEGRAM

NEWCOMB CARLTON, PRESIDENT GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

CLASS OF SERVICE	SYMBOL
Telegram	
Day Letter	Blue
Night Message	Nite
Night Letter	N L

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F TOKIO 47/43

MR BENJAMIN STRONG

⁰⁵
FEDERAL RESERVE BANK NEWYORK

PLEASE ACCEPT MY HEARTFELT THANKS FOR YOUR KIND ASSISTANCE RE FORMATION
OF LONGWISHEDFOR POWERFUL AND INFLUENTIAL GROUP LOOKING FORWARD TO
RENEWING OUR ACQUAINTANCE ERE LONG AS I START TODAY ON WORLDS TOUR
VIA SUEZ JUNNOSUKE INOUYE.

RESERVE BANK
JAN 31 1924
FILES DIV.

1924 JAN 28 AM 5 05

JU

Mr. Strong

Mr. Hoshino says that Governor Inouye is on the Ocean at the present time, and he does not know his cable address or the name of the steamer he is travelling on.

Governor Inouye is expected in London about March 20th, and mail addressed to him c/o Yokohama Specie Bank will reach him.

Mc.

ACKNOWLEDGED

FEB 20 1924

R S

31, Mikawadai-machi,
Azabu-ku, Tokyo, Japan.

January 25th, 1924.

My dear Governor Strong,

I write these lines to inform you that I shall be shortly leaving here on a tour round the world and will visit London first via the Indian Ocean.

I am availing myself of the leisure afforded me by the resignation on the 7th inst. of the Yamamoto Cabinet in which I was Minister of Finance, owing to an act of lese-majesty on the part of a certain young rascal towards His Highness the Prince Regent who was proceeding to the House of Peers to open the Diet.

My experience as Minister of Finance was indeed of the short duration of only four months. Upon reflection, however, that a fairly good result was obtained in our endeavour for framing the policy of reconstruction at such important juncture immediately after the earthquake disasters, I feel I am quite satisfied with the work I was called upon to undertake even for so short a time.

I am gratified to learn that you were always so kind to Mr. Tatsumi of the Yokohama Specie Bank whom I had the pleasure of introducing to you, and that you rendered him so much assistance, for which you will please accept my

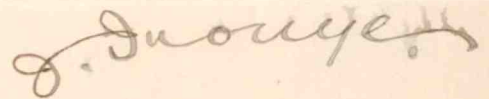
sincere thanks. Further, information reached me later on that as a result of your valuable advice being given to our financial attache, Mr. Mori, and the Vice-President Mr. Ichinomiya of the Yokohama Specie Bank, when you kindly received them for an interview, negotiations for our Government loan are in progress favourably, and I wish to take this opportunity of expressing my heartfelt thanks to you.

In the early fall I shall be in your country and look forward to the pleasure of being able to see you.

With kindest regards,

Believe me

Yours sincerely,



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

December 28, 1923.

My dear Mr. Inouye:

This morning I have had the pleasure of meeting Mr. Tatsumi, who brings with him your kind note of introduction of November 29.

He will advise you, I understand, by cable of the result of our discussion, and I am sure you must realize that this whole subject is one to which we have been giving a good deal of thought since last September, and I do not need to assure you that the very best advice and information at my command will be available for you and for Mr. Tatsumi in connection with his mission.

Considering the importance of the matter, I have taken the liberty of sending you a cable, a confirmation of which is enclosed, and which, while rather cryptic, will I hope convey to you promptly my desire to be of service in every manner possible.

You are most kind to send Mr. Tatsumi to me, and I appreciate this further evidence of your confidence and friendship.

Faithfully yours,

Honorable Junnosuke Inouye,
Minister of Finance,
Tokyo, Japan.

BS.MM
enc.

COPY OF OUTGOING CABLEGRAM

December 28, 1923

Inouye

Finance Department

Tokyo

Your note of introduction of November 29 was presented by Mr. Tatsumi today and I am now cabling to assure you that every assistance and advice possible will be gladly furnished him for the furtherance of the matter which we have discussed

Strong

J. M. ...

File

The Department of Finance,
Tokyo, Japan.

December 13th, 1923.

My dear Governor Strong,

Your kind letter of November 1st reached me
some days ago, and, in the first instance, let me
congratulate you upon your restored health.

My writing to you personally is long overdue,
and I regret that every chance of doing so has slipped
away, although I often wanted to do; but I feel quite
sure that you will not much mind it. Now I need hardly
tell you how anxious we have been about your illness,
and indeed, it is quite a relief to me to hear from
you that your improved health has enabled you to be at
your office, for I feel I have cause more than anyone
else to rejoice over your having become yourself again.

I appreciate very much your sentiments felt
at the time of my new appointment which I had to accept,
and wish to thank you for your kind sympathy with me in
what you say is the tremendous undertaking that
confronts me. My only desideratum at the present
moment is that the outside assistance of my friends
will enable me to emerge from the dire ordeal, so as
to be able to serve my country successfully.

Disastrous and indeed appalling as the

calamity that befell my country is, the silver lining to the cloud consists in the universal expression of sympathy it has evoked. In particular, the sympathy of every section of your countrymen so promptly and so generously extended to our suffering people is really most gratifying. My countrymen were deeply touched to witness every day the actual activities of your Red Cross here, which have been a subject of much admiration and esteem among us, and I need hardly assure you that profound gratitude is being felt by all here.

It is very kind of you to give me your important suggestions as to financing. At this stage, I am not quite certain to what extent financing will be done in the foreign market, as it should be done as a matter of course. My plan is that the money required for reconstruction purposes would be found in the home market as far as possible, while the foreign purchases of all kinds of material not obtainable in this country should be financed abroad. The fundamental point is that, on the one hand, a check may be put on the danger of inflation inevitably to be involved in the direct introduction of foreign capital, while, on the other, the home market should not be strained unnecessarily too much. when the time comes, as it should come, I shall not fail

to avail myself of your good offices in the way that you suggest to me. In the meantime, I trust that you will be so good as to advise me from time to time on the question that will engross all my thoughts.

I sincerely hope that my severance of connection with the Bank of Japan will in no way affect the friendship that we have ever cherished between us.

With all good wishes, and with the greetings of the Season,

Believe me

Yours sincerely,

J. Inouye

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

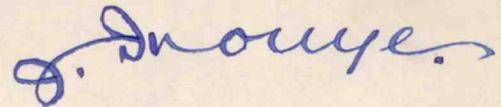
Finance Department.

Tokyo, 29th November, 1923.

My Dear Mr. Strong,

This is to introduce to you Mr. K. Tatsumi, Director of the Yokohama Specie Bank, who is now on the way to London in connection with the Bank's business arising from the financial side of the reconstruction plan now contemplated here. I shall thank you very much if you will grant him an interview and give him such information and advice as will be useful in furtherance of the business with which he is entrusted.

Yours faithfully,



Benj. Strong, Esq.,

Gov. of the Federal Reserve Bank,

N. Y. City.

November 1, 1923.

Dear Mr. Inouye:

Were it not for my illness which kept me in Colorado until this week, and for my knowledge of the great pressure which you must be under in taking up the duties of your new office in the midst of the awful calamity which Japan has suffered, I would indeed have written you long ago and fully; but it seemed best to await my return home when I would have a little better knowledge of just what is transpiring.

Of course, I think you will readily understand that the news of the honor which you have received in being made Minister of Finance was not received entirely with feelings of pleasure, greatly as I appreciate your qualifications for the office and the need that your country has for your services. In some ways I felt that it might interrupt our contact, although I am sure it can in no way affect the deep friendship which I feel we have had ever since my visit to Japan.

This letter is especially to wish you abundant success in what I appreciate is a tremendous undertaking. Your associates have written me and cabled me, all expressing the sorrow which they feel in losing you as an associate, but also the satisfaction that in your new office you still have such an intimate contact with the affairs of the bank. A letter just received from Mr. Kashiwagi, who is now in this country, tells me of his meeting with you just before he left and of the kind messages which you thoughtfully sent me. It is nice to have you remember me in the midst of your busy days.

November 1, 1923.

Of course, your cable was received finally, after I had succeeded in getting word through our Department of State in regard to the fate of a number of my friends, concerning whom I asked them to make inquiry for me, and I expect I should thank your Ambassador, who is also my friend, Mr. Hanibara, for his kindness in facilitating my getting this prompt advice.

May I take the liberty of writing you just a few personal words about the sentiment which has resulted in this country from your own disaster and the suffering which has come from it. On every hand we hear expressions of friendship, sympathy and of desire to be of assistance. It was really a great tribute to the Japanese people when the Red Cross asked for subscriptions of \$5,000,000 to have \$10,000,000 subscribed in a few days - in fact, almost in a few hours - from the call being made. This is but one of many evidences which I have received of the universal feeling of warm friendship.

Now of course I know that financing will be required, and it is most natural that you should turn to this market. Without the slightest knowledge of your plans or of any proposals which may be under discussion - because I have so far met none of my banking friends - I can only venture to suggest two things:

One is that to the greatest extent possible any financing done in this country be done in the nature of a national movement for Japanese rehabilitation, squarely stated, to be based upon the known and intimate relationship and interdependence which we have upon each other in commerce and trade and in the sympathy which we both wish to cultivate between the people of the two countries. While of course it would be a bankers' transaction, I should hope that it would be so arranged that practically our entire banking organization would take part. I know that you will understand that this suggestion is inspired entirely by my friendship and a desire to see the utmost success in any financing that is done in this country.

November 1, 1923.

The other and even more personal one is to assure you that any advice or information which you need from me or from our organization will be furnished promptly and effectively by cable and you must not hesitate at any time to call upon us. It will be disinterested and frank and I should hope that it might prove useful.

At a later time I shall write you something of business conditions, and especially the financial and investment situation in this country, but such a letter just now would be premature as I have only been at the office once and feel myself very much out of touch with what has been going on.

I am glad to be able to advise you that my health seems to be very satisfactorily restored.

With every good wish, believe me,

Sincerely, your friend,

To His Excellency,
The Honorable Mr. Junnosuke Inouye,
Minister of Finance,
Tokyo, Japan.

BS.MM

Confirmed by letter 11/20/23

COPY OF CABLEGRAM OUTGOING

September 8, 1923.

Inouye,
Bank of Japan,
Tokio.

Greatly relieved to learn of your safety and delighted that you have treasury portfolio. Am shocked and distressed by the terrible calamity your country has suffered and will be anxious about my friends especially your associates until I hear of their safety. Please let me know if I can be of any service in this country.

Strong.

Charge to the account of Federal Reserve Bank of New York

SERVICE DESIRED	
Telegram	
Day Letter	
Night Message	
Night Letter	

Patrons should mark an X opposite the class of service desired; OTHERWISE THE MESSAGE WILL BE TRANSMITTED AS A FULL-RATE TELEGRAM

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.

Check

Time Filed

Send the following message, subject to the terms on back hereof, which are hereby agreed to

October 6 1923

*Japan*Day Letter

Benj. Strong, Esq.,
Broadmoor,
Colorado Springs, Colorado.

Following wireless from Inouye ^{See File} dated Tokio October fifth

Please accept my sincere thanks for your kind message for my country and myself

Rest assured that my old associates were all safe Shall ask your assistance
whenever needed.

G. BEYER

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

CLASS OF SERVICE	SYMBOL
Telegram	
Day Letter	Blue
Night Message	Nite
Night Letter	N L

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Day Letter	Blue
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TOKIO OCT 5 1923

Stong

STONG

Z1170

Federal Reserve Bk of NY
120 Broadway

FEDRESERVE NEWYORK

PLEASE ACCEPT MY SINCERE THANKS FOR YOUR KIND MESSAGE FOR MY COUNTRY AND MYSELF BE REST ASSURED THAT MY OLD ASSOCIATES WERE ALL SAFE SHALL ASK YOUR ASSISTANCE WHENEVER NEEDED

INOUYE



OCT 6

CLASS OF SERVICE	SYMBOL
TELEGRAM	
DAY LETTER	BLUE
NIGHT MESSAGE	NITE
NIGHT LETTER	N L

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WESTERN UNION



TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

CLASS OF SERVICE	SYMBOL
TELEGRAM	
DAY LETTER	BLUE
NIGHT MESSAGE	NITE
NIGHT LETTER	N L

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The filing time as shown in the date line on full-rate telegrams and day letters, and the time of receipt at destination as shown on all messages, is STANDARD TIME.

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TOKIO 5

ACKNOWLEDGED

STRONG e/o Federal Reserve Bank
420 120 Bway

NOV 1 - 1923

B. S.

FEDRESERVE NEWYORK (NY)

PLEASE ACCEPT MY SINCERE THANKS FOR YOUR KIND MESSAGE FOR MY COUNTRY

AND MYSELF BE REST ASSURED THAT MY OLD ASSOCIATES WERE ALL SAFE SHALL

ASK YOUR ASSISTANCE WHENEVER NEEDED

N
LOUYE.

Kashiwagi

December 19, 1922.

My dear Governor Inouye:

Your letter of November 22, being a most interesting reply to mine of October 19, has remained unanswered until to-day on account of a brief illness and my absence from the office on a business trip to the West.

Of course, in a general way you are dealing with a situation which presents many points of resemblance to our own. I can well understand the considerations which have led to your Government's decision to abandon counting foreign balances as reserve. It will have the effect, as you say, of increasing the fiduciary issue of the bank, and, I presume, in consequence will increase the amount of your special taxes, and will quite naturally inspire a desire to reduce the circulation.

I have sometimes wondered whether any program looking to a contraction of credit as distinguished from a stabilizing of credit may not have its source in a latent and possibly unrecognized feeling that we should get back to something which we consider to be normal, and at times are too liable to consider that "normal" is a credit situation and a price level such as prevailed before the war. Of course, I have had no opportunity to discuss this matter with you, but it is a subject of much discussion here, and it may interest you to get some expression of our views.

We believe that there is no such thing as a pre-war normal to be measured by the statistical position of the year, say 1913. Taking this country for purposes of illustration, we know, for instance, that our trade increases every year over considerable periods of time, roughly, 3 per cent. over the previous year; we know that the volume of bank loans and deposits

over periods of years is likely to show a normal rate of increase of about 5 or 7 per cent. If, therefore, we are considering 1913 conditions as a normal base for calculation, certainly at least that base should be corrected by due allowance for annual growth and development of the country's business and resources, for the influence of savings, new construction, transportation, and enlarged population.

Further than that, even though an effort to establish a corrected 1913 normal might be feasible, we have a feeling that any move in that direction would result in injustice to one or another class; have an unsettling effect, and cause social and political dissatisfaction. I think my personal feelings may be expressed in a general way as follows:

There are a great many influences which affect prices. The relation between the quantity of goods produced and the effective demand for those goods. The extent to which foreign markets are impaired as the result of the war. The relation between good or bad crops at home and good or bad crops abroad; and in a very important way, the general frame of mind of the public, whether it is in a mood to buy or in a mood to sell. And finally, of course, is the influence upon prices of the volume of credit which is so largely under the control of the Federal Reserve System here and of your bank in Japan. So far as credit, therefore, is a factor in the price level and in the general business movement and development, I can not help but feel that our policy should be addressed as carefully as possible towards maintaining a stable volume of credit, varying only to the extent that increases and decreases in the volume of business, either seasonal or because of the annual increment, necessitates variations in credit volume.

One of the difficulties of the situation is now exhibited by agriculture. The period of liquidation resulted in a greater depression in prices of agricultural commodities than in many others; it left production costs still

at a fairly high level and the value of the articles produced in many cases below costs of production. Most of the things that the farmers employ to make their crops are those whose prices are very largely fixed by domestic conditions, such, for instance, as fertilizer, building materials, seed, transportation costs and labor. On the other hand, what he produces is much more subject to influence by world prices because we have so large a surplus of agricultural production for export. Our problem, therefore, in agriculture seems to be not only to facilitate the maintenance of stable values as to the general price level, but to facilitate a readjustment in the relative values of what the farmer consumes and of what he produces. His margin of profit has been too greatly impaired.

We are here confronted with that inexorable law that where domestic prices are fixed by world prices we must, on the one hand, either find enlarged world markets for what is produced or contract our production; and therefore some fears are expressed as to the outlook for the farming industry because of what appears to be an impaired purchasing power, especially in western and middle Europe, which is in need of our foodstuffs but which may not be able to pay for them.

There is a great clamor in this country for more credit for the farmers. Of course, that is but the superficial manifestation of the difficulties which I have described above, inspired somewhat by the fact that we seem to have produced more foodstuffs than the world can consume, and that fact coupled with a bad breakdown in our transportation system because of the strike, and for other reasons, ^{left} considerable quantities of farm products, and especially of wheat, unmarketed on the farms, in the warehouses and in the elevators.

In general, conditions here seem to be developing with a certain clarity in some respects. Certainly, there is no unemployment to speak of in the country at present. We find that facilities for transportation are taxed

December 19, 1922.

to the uttermost. There is every indication that production of goods, while somewhat below the high level of 1920, is very much above the general average of 1921. We find that price advances have been very rapid in those articles which are regarded as particularly susceptible to price movements; that it has been almost as rapid proportionately in the great basic commodities, of which we send you the index number regularly; and that the general commodity list has also advanced considerably. Comparing price advances in fact with almost any period prior to the war, we find that there has been none of equal extent until we get back to the Civil War days and the period immediately following the close of that war.

There are many rather obscure influences at work as to the relation between various prices, but at least ^{things} two are obvious to all of us. Rates of wages not only did not decline very considerably and correspondingly to the declines in commodity prices last year and the year before, but for the past six months or more there has been a decided tendency for them to increase, and the burden of this increase is, of course, carried in the general price level. We are also feeling the influence of continued gold imports, the extent of which I do not think is realized by the country generally.

All of what I have written above is indicative, of course, of the great renewal of business activity which is reflected in almost all lines of industry and commerce, the only great industry of the country which is still suffering being agriculture, and that largely being limited to such products as the small cereals and cattle. Cotton has advanced to a level which will enable almost any farmer to realize a good profit. This is also generally true of hogs and of many other of the products of the farm.

It is, of course, difficult, as always, to give any forecast of a policy which is liable to change rapidly, as such conditions as I have described also change very rapidly. In a general way, I think some of us are beginning

December 19, 1922.

to feel that our discount rates are pretty low. Most of the rates for credit in the market are above our rates, and there is an increasing tendency for our members to borrow from us.

Without being able to indicate with any definiteness as to what the future holds in store for us, I should say in a general way that business is really prospering, that there is a possibility of its developing unsoundly if the country becomes engaged in that pleasant pastime of simply marking up prices without any real increase in production, and that we must watch the situation very carefully and be ready to interpose a check whenever the necessity for it becomes clear.

We wish you all the greatest success in the management of your own situation, which I have no doubt presents as many difficulties as does ours, but I hope the New Year has in store for you every good thing that your friends could wish. It will be a pleasure to hear from you whenever you have opportunity to write me.

Yours sincerely,

Benj. Strong,
Governor.

J. Inouye, Esq.,
Governor, Bank of Japan,
Tokyo, Japan.

BS.MM

November 13, 1922.

Dear Governor Inouye:

Your note dated October 5 introducing your friend Mr. Osamu Matsumoto was presented by him to-day and I had the pleasure of quite a nice chat with him.

It is very kind of you to recommend your friends to the bank and to me personally. I am glad to have them come in to see us. We may at times be able to furnish them with information which will serve their interests and as you know I am glad at any time to be of any service in any direction which may be of advantage to you.

Should you have occasion to write to Mr. Matsumoto, I hope you will assure him of the cordial welcome which he will always receive here.

With kindest regards, believe me,

Yours very truly,

Benj. Strong,
Governor.

J. Inouye, Esq.,
Governor, Bank of Japan,
Tokyo, Japan.

BS.MM

THE BANK OF JAPAN
TOKYO

October 5th, 1922.

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

ACKNOWLEDGED

NOV 13 1922

My dear Mr. Strong,

I am giving myself the pleasure of introducing to you my friend Mr. Osamu Matsumoto who takes up his duties in New York as Financial Commissioner of the Imperial Japanese Government.

Mr. Matsumoto was until recently a high official in the Department of Finance and is now transferred to his important post. In course of discharging his duties in such capacity, it is most likely that there will be many occasions for him to come into contact with the leading men of business in your City, and I am sure that you will be interested to meet him. Any courtesy and assistance that you are able to extend to him I shall esteem a personal favour.

Such attention as you may give to this letter will be greatly appreciated by me.

With kind regards,

Believe me

Yours sincerely,

J. Inoué

September 20, 1922.

My dear Governor Inouye:

Thank you most cordially for your kind note of August 25 in regard to Mr. Noyes's visit to Japan. I am sure that you will find Mr. and Mrs. Noyes to be interesting and delightful people to meet.

In a few days I am hoping to send you a letter in relation to the contract between our two institutions pertaining which we have had some discussion with your Mr. Hoshino, and I sincerely trust that it will meet with your approval.

Sincerely yours,

Mr. J. Inouye,
Governor, The Bank of Japan,
Tokyo.

THE BANK OF JAPAN
TOKYO

ACKNOWLEDGED

SEP 20 1922

B. S.

August 25th, 1922.

My dear Governor Strong,

I have received your letter of July 19th enclosing copies of a note of introduction for Mr. Frank B. Noyes who is taking a trip to this country with his wife, and also I have just received a word from our representative in New York, Mr. Hoshino, conveying your message to me as to his intending visit.

I had visits from many of the American journalists, but need hardly say what an interesting acquaintance would I make with such prominent representative of the American Press as your friend Mr. Noyes, nor need I assure you that he will equally be welcome here by your Japanese friends.

I have shewn your letter to Mr. Fukai who was back with us just two weeks ago, and so you need not trouble yourself to write him in the matter.

These few lines are only to acknowledge receipt of your letter and to assure you that I shall not fail to make the visit of Mr. and Mrs. Noyes in this country as agreeable as possible.

With kindest personal regards,

Yours sincerely,

F. Inoué

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

July 19, 1922.

My dear Governor Inouye:

With this I am enclosing a copy of a note of introduction which I have taken the liberty of giving to my friend Mr. Frank B. Noyes, and likewise a copy of a similar note addressed to Mr. Fukai.

Mr. Noyes is visiting Japan with his wife in the course of the next few months, and I am most anxious that he shall have full opportunity to make the best of the comparatively short stay that he will make there.

Mr. Noyes is the proprietor of the "Washington Star", of Washington, D. C., as well as being president of the Associated Press, which is the most important press association in this country. I am very sure that both you and he will profit by the opportunity to discuss matters in which you will be mutually interested. Should Mr. Fukai feel willing to give Mr. Noyes the opportunity of meeting Marquis Matzukata, I feel sure that Mr. Noyes will very greatly appreciate it.

May I ask you to show this letter to Mr. Fukai, and I will then not write him separately.

I enjoyed very much the opportunity to see Mr. Fukai when he was in New York, but very much regret that I was unable to be in Washington during his stay there on account of illness, so that my visits with him were much more infrequent than I had hoped they would be.

With cordial regards to you and to him and to my other friends in the bank, I beg to remain,

Faithfully yours,

Junnosuke Inouye, Esq.,
Governor, Bank of Japan,
Tokyo, Japan.

July 19, 1922.

Dear Governor Inouye:

This note will be presented to you by my friend Mr. Frank B. Noyes of Washington, who is making a trip around the world somewhat similar to the one which I made two years ago. I have assured both Mr. and Mrs. Noyes that they will receive a warm welcome from my friends in Japan, to whom I have given them letters of introduction.

Anything that you are able to do to facilitate their trip, or add to its enjoyment, I shall esteem a personal favor, and you know how great a pleasure it will be to reciprocate at any time.

With cordial regards, believe me,

Faithfully yours,

Junnosuke Inouye, Esq.,
Governor, Bank of Japan,
Tokyo, Japan.

BS.MM

January 16, 1922.

Dear Governor Inouye:

I have been away from my desk for nearly two months on account of illness and only to-day have been able to give your kind letter of November 30, as well as other accumulated mail, some attention. Although I am feeling quite well again, my physician advises that I take a little recreation for a week or ten days at Atlantic City, which he believes will prove most beneficial to me. At the end of that time I should be well enough to resume my duties at the bank.

It was a very keen disappointment to me that I had to be incapacitated practically the entire time during the recent visit of your business men to this country. I had the pleasure of meeting a number of the gentlemen before I was taken ill, but unfortunately was prevented after that from extending to them many of the courtesies that I had hoped to.

I sincerely regret that I could not have been of greater assistance, but I know you will appreciate the circumstances.

With warm regards, believe me,

Yours sincerely,

J. Inouye, Esq.,
Governor, Bank of Japan,
Tokyo, Japan.

THE BANK OF JAPAN

TOKYO

ACKNOWLEDGED
JAN 16 1922

November 30th; 1921.

Dear Governor Strong,

I wish to thank you for your kind letter of November 4th which has just reached me, and I am gratified to hear from you that you took so much interest in the visit of our business men to your country. It is very kind of you to have extended to all of the party an invitation to your institution, and I am sure that the courteous reception on your part will not only be appreciated by themselves alone, but also by all of your Japanese friends here.

We are all chagrined over the death of the late Premier Hara. Indeed, Japan has sustained a great loss in his death; I might say that it is quite a loss to the world at this time of unrest. In connection with this, I have further to thank you for your message of condolence which you were so good as to send to me. In fact, I conveyed it at the time to Mrs. Hara to show her how deeply concerned you were about this sad event. I now take this opportunity of returning to you her heart-felt thanks for your kindly sympathy in her bereavement, which she asked me to offer you through me.

With kindest regards,

Believe me to remain,

Yours sincerely,

J. Duoye

Benjamin Strong, Esq.,

Federal Reserve Bank

of New York,
New York.

File

THE BANK OF JAPAN

TOKYO

November 29th, 1921.

Dear Governor Strong,

I have duly received your letter of October 24th together with a copy of the report on agricultural inquiry, which you were so kind as to send to me, and for which I wish to thank you very much.

I have not had enough time to go through the volume as yet, but so far as I go over it, I have noticed with greatest pleasure that you took so prominent and energetic a part in the discussions before the Joint Commission of Agricultural Inquiry on the Federal Reserve System. Indeed, the report must be very interesting and instructive as well, and I shall try to find time to read it and make myself acquainted with your views of the question at issue.

Again thanking you for your courtesy in this matter,

With kind regards,

Yours sincerely,

J. D. Sawyer

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

November 17, 1921.

Dear Mr. Inouye:

Your note of October 10 introducing Mr. Kadono was only received by me yesterday, and, unfortunately, my absence from New York has so far prevented my enjoying the pleasure of meeting him. I learned from another letter which he sent me that he is the son-in-law of my old friend Baron Megata.

This afternoon I am hoping to have the pleasure of calling on him at the Plaza Hotel, and if I am unfortunate in missing him, I shall hope nevertheless to have the pleasure of seeing him next week.

As I cabled you, ^{11/4/21} we learned with horror of the shocking attack upon Premier Hara, which resulted in his death. It was, of course, a great misfortune but nevertheless I am glad to find this the occasion for sending my good wishes to his successor Baron Takahashi. I hope he has a most successful administration as Premier, and that in turn his successor in office will be all that you would desire to promote the relations between your bank and the finance department of the government.

So far I have not been in Washington to meet Mr. Fukai, nor has he been in New York, but I shall hope to have the pleasure of seeing him shortly. Really notable progress is being made toward the solution of the problems of armaments. We are all greatly encouraged and heartened by the enthusiastic responses which we hear on all sides to the rather definite proposals made by Secretary Hughes. I am now hoping and wishing most earnestly that similar enlightened progress will be established between your representatives and ours toward a sound, workable, and, still more important, cooperative understanding as to all Pacific questions.

Behind the public discussions and the newspaper accounts which we all read from

November 17, 1921.

time to time, I can assure you that there is a splendid good spirit developing toward your representatives here. The opportunity seems to be at hand for a great achievement, and if the conference adjourns with a definite program accomplished it will then be much easier for us to turn our attention to constructive efforts to assist economically in European recovery.

This leads me to report, very confidentially, upon some recent developments in which I am sure you will be interested. You know that I have long felt the need, as we so often discussed when I was in Tokyo, for a better understanding between the principal banks of issue. My friend, Governor Norman of the Bank of England, made me a short visit this summer with Sir Charles Addis, when the general idea was discussed at considerable length. Similar confidential discussions have been conducted in Amsterdam by both Governor Norman and by our Mr. Jay with Dr. Vissering of De Nederlandsche Bank. One preliminary meeting has been held with the President of the National Bank of Switzerland, and a similar meeting with the officers of the National Bank of Belgium. I am expecting to recount these matters in greater detail to Mr. Fukai at the first opportunity, but take this occasion to ask you if you would be willing to express to me, quite frankly, your own views of the wisdom of continuing these discussions to the point of a better understanding between all banks of importance of that character, in the expectation that it will lead to mutual representation of each other in our respective countries, and the ultimate development, if possible, of exclusive representation.

While I am not yet prepared to propose this definitely, it has been in my mind that if our discussions reach a point where I feel justified in going to Europe early next year, it will be most helpful, and I believe most important, if you could arrange to join me there.

You must know, my good friend, that the time has arrived, or is approaching, when some constructive and helpful program is going to be needed to mitigate

November 17, 1921.

the distressing consequences of the war. I must say quite frankly that I dread the point of view of politicians in these matters, and if I must say so, without discourtesy to people of such importance, I dread their blunders in economic matters. Almost equally, I am beginning to fear the consequences of efforts by various people to furnish wholly unworkable solutions of problems that can only be dealt with over a long period of years and by a gradual healing process, rather than by a capital operation. This very general suggestion is for your thought and frank comment, which I shall welcome most heartily.

You will be glad to know that conditions with us at the moment seem to be improving gradually but steadily. Our money markets are easing; there is a splendid market for sound issues of good securities, especially bonds; there is a more hopeful sentiment prevailing throughout the country; and the banking and financial situation has settled into a condition of mental calm and steady recovery from depression. The darkest part of the picture is middle Europe, where Germany is struggling hopelessly with the reparation demands, and her neighbors, especially to the south and west, are in the midst of a hopeless struggle against uncontrolled inflation. Our bank now holds 80% gold reserves against all liabilities. Our discounts have been reduced from the high point of about \$1 billion a year ago to less than \$200 millions. The reduction in our discount rate to 4 1/2%, and reductions of varying amounts in the other reserve banks were arranged as the result of the Conference of Governors of all of the banks with the Federal Reserve Board, and I believe the policy is justified by events, and sound as to the immediate future. Would you care to be informed by cable of changes in our rates, and when possible (although this will not be very often) some warning in advance?

In conclusion, I am referring especially to the earlier part of this letter, and hope that you and your associates feel wholly satisfied with the business which we are now conducting for you in New York. It is a matter of satisfaction to us that we have been able to form such an alliance, and I hope that it may be extended and promoted.

#4

November 17, 1921.

With cordial regards to you and your associates, believe me,

Very sincerely yours,

J. Inouye, Esq.,
Governor, Bank of Japan,
Tokyo, Japan.

BS:MM

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CABLE

November 4, 1921

Bank of Japan

Tokyo, Japan

We are deeply shocked by news of crime which caused
your Premier's death and send our sympathy

Benj. Strong.

THE BANK OF JAPAN

TOKYO

October 10th, 1921.

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

Dear Mr. Strong,

I venture to introduce to you Mr. Chokuro Kadono, Vice-President of the Okura & CO., who will shortly be leaving for your country as member of the Japanese Business Mission to the United States of America and the United Kingdom.

Mr. Kadono is a close friend of mine, and though he may be introduced publicly to the leading men of business in your country, I wish his contact to be more personal, and so I take much pleasure in presenting him in person to you as one who can best impart the views that he seeks. Whatever courtesy and assistance you may extend to him will be very gratefully appreciated by me.

With kind regards,

Believe me

Yours sincerely,

J. Duoye

THE BANK OF JAPAN

TOKYO

READ AND NOTED,
B. S.

October 10th, 1921.

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

Dear Mr. Strong,

I venture to introduce to you Mr. Manzo Kushida, Chairman of the Mitsubishi Bank, who will shortly be leaving for your country as member of the Japanese Business Mission to the United States of America and the United Kingdom.

Mr. Kushida is a close friend of mine, and though he may be introduced publicly to the leading men of business in your country, I wish his contact to be more personal, and so I take much pleasure in presenting him in person to you as one who can best impart the views that he seeks. Whatever courtesy and assistance you may extend to him will be very gratefully appreciated by me.

With kind regards,

Believe me

Yours sincerely,

J. Duquesne

August 29, 1921.

Dear Governor Inouye:

It was very kind of you to send me copies of your correspondence with Dr. Willis, which reaches me to-day accompanied by your letter of July 28. You will, I am sure, understand that it is our desire to make similar information available for you to such extent as you may require it, and we hope that it will prove to be of value. We find that our own studies of prices have been most illuminating during these trying periods of readjustment and we are seeking the cooperation of our friends abroad to make the work as comprehensive as possible.

Since I last wrote you there have been few changes of material importance here except further evidences of gradual readjustment and, I feel, of real recovery towards more normal conditions. We cannot yet say that a new price level has been definitely established and stabilized. Though prices are still being reduced, labor has probably not yet been readjusted to the new conditions, and we still feel that retail prices, and consequently living costs, are somewhat high in their relation to the new level of wholesale prices, especially of the more important raw commodities.

We have had considerable agitation in this country by agricultural classes of a character that is inimical to the Federal Reserve System. It finally took the shape of a Congressional inquiry by a Joint Commission of the House and Senate, before which commission Governor Harding and I have spent some time in explaining the system itself and its methods and policies of operation. All of this we feel has helped to clear the atmosphere, and when the record is published will give the public a better understanding of our new banking system.

Of course, we are just now suffering a great reduction in our export

trade, both in quantity and in values, because of the reduced prices. We feel that an obstacle even greater than the difficulties of foreign credits lies in the wide and erratic fluctuation in the values of the various currencies. This, of course, is partly due to the reparation payments, but is also partly due to the fact that there is no stabilizing factor in the exchanges as would be the case if gold shipments were free and unrestricted and could be made in the volume required. Of course, we do not want this flood of gold, but it is, nevertheless, better to have it come than it would be to have even more violent fluctuations of exchange. The merchant expects to encounter the two major risks of credit and of price fluctuations in every transaction in goods, but when the third speculative element arises in the great fluctuation in the rate of exchange, foreign trade inevitably must suffer, and I expect that you are feeling it somewhat as we do.

Our money market tends toward greater ease as people continue to liquidate inventories and pay their debts. Quite a number of the large banks have entirely repaid their lines of discount which they have carried with us for many years past, so that there is some real competition in the money market on the lending side. This development is, of course, making it easier for our Government to continue the considerable amount of floating debt still unfunded at more reasonable rates of interest, and I anticipate no difficulty from now on in taking care of all of the maturities as they approach.

Barring cotton, of which we have a considerable carry over, it seems that we will have an abundant crop this year, and the wheat harvest is moving to market very rapidly. This year's crop has been made at very low cost and will greatly assist general liquidation through agricultural sections as we expect the crop to be reasonably profitable to the growers.

I am looking forward with confidence towards the development of much improved understanding between your country and ours as the result of the

J. Inouye, Esq.,

-5-

8/29/21.

conference to be held in November. The gentlemen in our Government who are working on this matter are men of broad vision and the right disposition to deal with matters as they should be dealt with. I was rather sorry to observe by a newspaper interview (although I am always chary of accepting these as authentic) that Marquis Okuma had become somewhat disturbed by the proposal and apparently misunderstood the general temper with which the matter is being discussed here. What you and we need is more frequent and intimate discussions of these matters than seems to have been possible over the period of a general election and change of Government in this country. Now that your friends and ours will sit around the table and discuss matters frankly, I feel hopeful that great results may come of it and that we may settle down towards constructive work with a common purpose in view.

This is the first opportunity I have had to write you for some time, principally due to my long absence in Washington, but hereafter I hope to be less remiss.

My friend, Mr. John T. Harris, is sailing for Japan next month, and I have taken the liberty of giving him some letters of introduction to you and other friends in Japan. But as his plans are very uncertain I have also handed him the letters of advice to be mailed only and in case he finds it possible to call. In case one of these letters reach you and he does call, I am sure you will be much interested in hearing what he has to say and will find him a most agreeable person indeed.

With cordial regards to you and to my good friends with whom you are associated, I beg to remain,

Sincerely yours,

Junnosuke Inouye, Esq.,
Governor, Bank of Japan,
Tokio, Japan.

PERSONAL & CONFIDENTIAL

CONFIDENTIAL

July 1, 1921.

Dear Governor Inouye:

Your kind note of June 4, acknowledging receipt of our annual report, has just reached me, and I hasten to thank you for the kind expressions contained in your letter.

Yesterday I had the pleasure of a call from Mr. Tsukasaki. He tells me that he is sailing on Saturday for Europe, and I am furnishing him with a few letters of introduction to friends in London, who may be able to render him some service in connection with his work. It so happens that our own statistician, Mr. Carl Snyder, is visiting London at this time, and I hope that Mr. Tsukasaki may be able to meet him and get the benefit of some of his experience along similar lines of work.

From time to time recently, I have received inquiries from your Mr. Nagaike, in regard to banking conditions in New York, and have no doubt that he has written you quite fully what I told him.

This city has been filled with wholly unwarranted rumors of some banking difficulties which might develop here. I am sorry to say that they have attached especially to one of our largest and most important institutions, the Guaranty Trust Company, which is a member of the Federal Reserve System. The gossip had its origin in the affairs of the Mercantile Bank of the Americas, a foreign trade company, organized especially to finance movements of goods in Central and South America, although doing some business in the East. As with many institutions of that character, the sudden decline in commodity values and many cancellations of orders left them with a rather unmanageable volume of merchandise on their hands; and because of that fact the large stockholders, which are important banking firms and institutions, furnished the Mercantile Bank with about \$20 millions of new capital, and a group of New York banking institutions undertook to furnish them with a credit, if required, for \$35 millions additional. This, in our opinion, will enable the bank to go ahead without any embarrassment from its creditors, and continue as a going and earning concern, with time for the liquidation of these merchandise accounts and for the collection of the obligations of such of its debtors as may temporarily have been embarrassed. The Guaranty Trust Company had a considerable interest in the Mercantile Bank, which gave rise to these unfortunate rumors that that institution had sustained heavy losses.

As I explained to you when in Japan, we keep a very close watch upon the condition of all of the member banks and trust companies. We receive the detailed reports of their regular semi-annual examinations made by the federal and state authorities; in fact, at the present time, due to pressure of work in the office of the Comptroller of the Currency and of the Superintendent of Banks of the State of New York, we are furnishing men to assist in these regular examinations. We are, therefore, fully informed of the condition of all member banks, and especially of those concerning which any gossip has arisen, and I have no hesitation in assuring

July 1, 1921

you that the rumors are unfounded and may be disregarded. The Guaranty Trust Company has sustained some losses; nothing, however, of a nature to impair their credit or sound condition. They have a capital of \$25 millions, a surplus of \$25 millions, and large undivided profits in addition. Such losses as they have encountered can be written off without the slightest embarrassment.

Generally speaking, the banking situation in New York is excellent. The proportion of slow loans held by our banks is nothing beyond what would be usual under present conditions, and not such as could cause embarrassment to any of them. We feel that with prices at present low levels, with our large industrial and business corporations readjusted, or readjusting to these conditions, without insolvencies, that the banking position has shown a strength and stability even beyond what might have been expected, and with the large resources of this institution available for immediate use, the effects of this idle gossip will pass away and shortly be forgotten; in fact, it has now practically disappeared.

We have been passing through a period which combines liquidation of loans through the liquidation of stocks of goods at the same time that we have been importing large amounts of gold. The result is apparent in the statements of the Federal Reserve Banks, and especially of this bank. Our loans have been constantly declining and our reserves increasing, so that to-day we hold in New York over 70% cash reserves against all of our note and deposit liabilities. Money is showing a considerably easier tendency right along. There is no bull speculation on the stock exchange but rather a liquidating market, and in general, the outlook seems to be for a quiet and dull summer with a tendency toward greater easing of money. Of course, our export trade has fallen off sharply and difficulties have been encountered in dealing with the over-supplies of copper, cotton, sugar, and wool, especially. In a small way there has been some difficulty in financing the breeding and fattening of cattle on the Western ranges, but one at a time these matters are being taken up and dealt with intelligently by our bankers, and I am hopeful that the fall will see an improvement in the general outlook for business recovery.

The exchanges have suffered some disorder, according to my personal opinion, directly because of the German purchases of dollars throughout the world, in order to effect reparation payments. We hope that the matter hereafter will be handled a little more intelligently and skilfully than were the first transactions.

As you have doubtless been advised by my associates, the decline in money rates has caused a reduction in the return upon the investments which we make for your good institution, as well as for all of the other institutions for which we act in a similar capacity. This will doubtless be the case from now on, and until some revival of business takes place.

Since my return from abroad, I find the pressure of the work at the bank very much reduced, my hours are shorter, and I have more time for rest and recreation. I have added 25 or 30 pounds to my weight, and am really now enjoying the benefit of the year's rest. I sincerely hope that all goes well with you and with your associates and my friends in the bank. Will you not give them all my kindest regards, and the same to your good self.

Very sincerely yours,

Junosuke Inouye, Esq.,
Governor, Bank of Japan,
Tokyo, Japan.

For my file
CONFIDENTIAL

May 6, 1921.

Confidential cable for Governor Inouye, Bank of Japan.

Our action in reducing commercial paper discount rate from 7% to 6 1/2% was inspired partly by growing ease of money rates, was recognition of extent to which liquidation of commodity prices had progressed, but especially was designed to afford some sentimental relief to agricultural classes ^{of the west and south} where great hardship has been caused by low prices of cotton, cereals and cattle stop We hope it will neither encourage speculation nor arrest the orderly readjustment of wholesale and retail prices and wages of labor, now proceeding in all parts of country

Strong

THE BANK OF JAPAN

TOKYO

June 4th, 1921.

ACKNOWLEDGED

JUL 1 - 1921

R. S.

Benjamin Strong, Esq.,
Governor, Federal Reserve Bank
of New York,
New York, U. S. A.

Dear Governor Strong:-

Your letter of May 3rd together with a copy of the sixth annual report of the Federal Reserve Bank of New York has been duly received. I have read the report with a great deal of interest and beg to compliment you on the achievements of your good institution during the year last.

With appreciation for your courtesy and warm regards to you,

Believe me,

Yours very sincerely,

J. D. Sawyer

Tel. Address:— "SIGNALLY, AVE," LONDON. Telephone:— 3632 LONDON WALL (4 Lines).

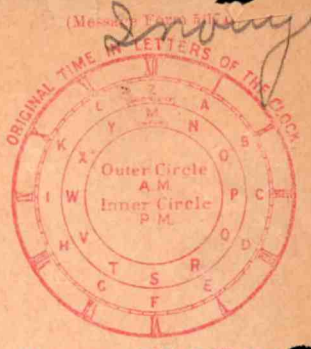
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MR STRONG C/O J P MORGAN CO LN =

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CORDIAL GREETINGS OF NEW YEAR INOUYE ❄

Return to Files

December 30, 1920.

Junnosuke Inouye, Esq.,
Governor, Bank of Japan,
Tokyo, Japan.

Dear Sir:

Governor Strong has written us of his delightful visit in Japan and of the gracious hospitality shown him by the officers of the Bank of Japan. Believing that your research department would like to add to its collection a set of books on American financial subjects, Governor Strong has asked me to send you a number of such books as a token of his appreciation and friendship. We are forwarding these books to you under separate cover and have also collected a number of pamphlets on banking and the Federal Reserve System which are now being bound, and these latter, together with some additional books which we have experienced some delay in obtaining, will be sent to you shortly.

Governor Strong is now in London and is expected home about the middle of January. The very cordial reception which you and your associates have accorded to him in Japan is a source of the utmost gratification to the directors and officers of this bank, and we earnestly hope that it may be our privilege in the near future to reciprocate your kindness and hospitality.

With renewed expressions of my highest regard, I have the honor to remain,

Very truly yours,

J. H. CASE
Acting Governor.

IMPERIAL GOVERNMENT TELEGRAPHS. (Delivery Form)

Station _____ Office No. _____		Address	
Received Time	0.40 am	Date	
By	H.S.	Mr Strong in care of Nippon Yinko Kobe	
Class	Original Office Tokyo	Remarks Kobe	
No.	37	Words	46
Date	1920	Time	6.40 P m



Having received your letter I am glad to learn you have so much enjoyed your stay

W. R. E. Exhibit

IMPERIAL GOVERNMENT TELEGRAPHS. (Delivery Form)

Station..... Office No.....

Received
Time..... Date..... 19

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Address

Class..... Original Office.....

No..... Words.....

Date..... 19..... Time..... m

Remarks

*full stop we shall be ve
delighted if you again
come here before leaving
japan and give us*

IMPERIAL GOVERNMENT TELEGRAPHS. (Delivery Form)

<p>Location _____ Office No. _____</p> <p>Received Time _____ Date _____ 19</p> <p>By _____</p>	<p><u>Address</u></p>
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<p><i>opportunity of furthering intimacy with you</i></p> <p><i>Inouye</i></p>	

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Governor Inouye's Speech
at the Reception of Mr. B. Strong.

(Ginko-Club, Tokio, May 24, 1920)

Gentlemen:-

I am very happy to receive Mr. Benjamin Strong here this evening, who has recently come to visit our country, and I am also grateful that his Excellency Baron Takahashi, Minister of Finance, and other gentlemen have been good enough to accept my invitation.

I need hardly say that the new system of the Federal Reserve Bank in the United States, which was the fruit of many Years of investigation, was put in practice in November 1914, when Mr. Strong, who had been president of the Bankers Trust Company, was appointed Governor of the New York Federal Reserve Bank, the most important of all the Reserve Banks in the United States and since then he has been in the same office.

The establishment of the Federal Reserve System in the United States means, indeed, a great revolutionary ^mimprovement on the monetary organisation of that country. Concerning this New system several different views seem to have been in ^{ogue}rogue at the outset and it was not long after the outbreak of the great War, when this system was carried into effect. Hence the authorities of the Federal Reserve Banks had on one hand to exert themselves to harmonize the new system with the ^apractical ~~hand~~ conditions of the market, and on the other hand to deal with important financial and monetary questions arising from the War ^afore. The great pains they took at that juncture will be much more than outsiders can guess.

It must be duly noted that only a short time has elapsed since the establishment of the Federal Reserve Banks, but they steadily ^{pro}vided for various measures, bringing about a thorough improvement of the monetary circles of the United States, and especially, taking due steps against the financial upheaval emanating from the great War, they greatly enhanced the monetary situation of the United States in the international markets. I hardly need to emphasize that after the United States had entered the War, the Federal Reserve Banks contributed a notable service to the pursuance of the War, such as, raising the war-^{ex}penses of the United States and giving financial support to the Allies.

New York is the centre of the American financial circles, and the New York Federal Reserve Bank is naturally in the leading position of all the other Reserve Banks. So the statement of the brilliant consequence rendered by the Federal Reserve system is nothing but the explanation of the enormous task achieved by the Presider of the New York Federal Reserve Bank, - that is Mr. Strong.

It is expected that the international relations in all directions will become more and more busy and complicated in the future, and so will it be the case with the international monetary affairs. Now, New York has become the centre of the World's ^{money} ~~maney~~ markets; there is no doubt that the policies and measures to be taken by the New York Federal Reserve Bank, which is the back-bone of the New York market, will have a great influence on the World's money markets at large. A few years ago, the Bank of Japan entered into a special business contract with the New York Federal Reserve Bank and is now benefiting greatly through this arrangement; it is

very much desirable that we shall have a still closer relation between us.

Mr. Strong's present journey, I am told, is mainly for the good of his health and at the same time for making observations about real affairs of Japan, China and other Oriental countries. So we have luckily hit upon an excellent opportunity to receive and listen to the Governor of the central monetary institution of the American market.

Now, in America, the Federal Reserve Banks are planning and endeavoring to deal with the various afterwar problems of the financing circles, while, in Japan, a hard time has already come, when measures must be ^uargently taken to meet with the post-war economic conditions. At such a time, it will immensely benefit and delight us to listen to a ^espeech of such a great banker of the World, full of knowledge and ^Pexberience as Mr. Strong, and especially to that regarding the practice of the Federal Reserve System and the actual relations of the Reserve Banks with the money market, etc.

I hope that Mr. Strong will accomplish the object of his ^lpresent journey and on returning to America, contribute with his recovered ^gzeal and vigour much to the monetary circles of the ^opost-war World.

I have the honour to propose to toast for the health of Mr. Strong.

IMPERIAL GOVERNMENT TELEGRAPHS. (Delivery Form)

4-

TENYOMARU.

Station Office No. 25

Address

Ra Mr Strong

Received Time 5:50 AM Date 4-5 19 20

ST

TENYOMARU.

Class Original Office Tokiyo Choshimusen

Remarks

28 Words 26

Date 3-5 19 20 Time 5-p m

Governor Inouye and his
colleagues of bank of Japan
await keenly your safe
arrival and director Fukai
will meet you on steamer

FILING DEPT.

March 9, 1920.

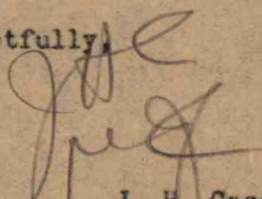
MAR 10
FEDERAL RESERVE BANK

Sir:

Mr. Benjamin Strong, Governor of this bank, expects to leave in April of this year on a journey through the East, and is looking forward with much pleasure to the opportunity thus afforded him of visiting your institution. His son, Benjamin Strong, Junior, and Mr. Basil Miles, formerly of our State Department, will accompany Governor Strong, and we shall deeply appreciate any courtesies which you may extend to Governor Strong and his party.

With renewed expression of our esteem and regard, we beg to remain,

Respectfully,



J. H. Case,
Acting Governor.

The Governor,
Bank of Japan,
Tokio, Japan.

FILING DEPT.

MAR 10

March 9, 1920.

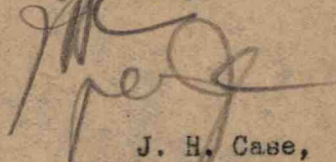
FEDERAL RESERVE BANK

Sir:

We take pleasure in introducing to you the bearer of this letter, Mr. Benjamin Strong, Governor of the Federal Reserve Bank of New York, his son, Mr. Benjamin Strong, Junior, and Mr. Basil Miles, formerly of our State Department.

Assuring you again of our deep appreciation of any courtesies which you may extend to Governor Strong and his party, we beg to remain,

Respectfully,



J. H. Case,
Acting Governor.

The Governor,
Bank of Japan,
Tokio, Japan.