

47
November 2, 1917.

Dear Sir:

As Mr. Strong is just leaving for a few weeks' vacation on account of his health he has asked me to acknowledge your favor of the 1st & tell you how greatly he appreciates the book that you are sending him and which he will be most interested in having. He will no doubt write you personally at his first opportunity.

With many thanks on Mr. Strong's behalf, I am,

Very truly yours,

Secretary to Mr. Strong.

Honorable E. A. Delano,
Federal Reserve Board,
Washington, D. C.

M/H

44

FILING DEPT.

AUG 28 1917

FEDERAL RESERVE BANK

August 14, 1917.

Dear Mr. Delano:

Thank you for your favor of the 7th enclosing letters in connection with Mr. Chapan, which were duly received.

Very truly yours,

Governor.

Honorable F. A. Delano,
Federal Reserve Board,
Washington, D. C.

BS/
VCM

Denver, Colorado,
July 31, 1917.

Dear Mr. Delano:

I have been pursuing inquiries in regard to Francis A. Chapman and, where I find that a great many things are said in his favor as a thoroughly honest, reliable man and with considerable experience in handling bank liquidations, one man in whose judgment I have more confidence than any other, does not consider that he is sufficiently forceful to take charge of a bank organization; he might do for second man. More particular information can be obtained from Mr. Charles B. Daws of the Central Trust Co. of Chicago, and I think very probably from the Comptroller's records, as he has acted as liquidator and receiver of a number of banks in this section.

On the whole, I am inclined to doubt the wisdom of appointing him Chief Executor of a bank. The enclosed letters I am sending you in strict confidence, as you will observe; refer to which should not be quoted. Would you be good enough to return them to New York after reading, and oblige,

Yours very truly,

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. C.

BS/CC

Encs.

44

Denver, Colorado,
July 23, 1917.

My dear Fred:

Replying to yours of the 16th, Mr. Francis A. Chapman is just now engaged in the Insurance business I believe, and since receiving your letter I made a little further inquiry about him. He is very well regarded here and considered to be a man of responsibility, thoroughly reliable and having some banking experience. He represented either the National or the State Banking Department in the liquidation of banks in this District, which he conducted with some success. My belief is that he would be a better man as an office manager or assistant manager than as a director, but I am looking into the matter further and will write you fully at an early date.

Among others whom you may consider for positions as directors, would not Floyd Welborn be one of the best? In any event, if you have names under consideration and would like to have a little private inquiry made, please telegraph and I will do the needful. I suggest a telegram, as I am returning home on about the 6th.

Faithfully yours,

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. C.

BS/CC

Denver, Colorado,
May 16, 1917.

My dear Fred:

On reaching Denver I find the cards of invitation to your daughter's wedding and am so regretful that it will be impossible for me to be on hand when that important event takes place.

You may be sure that all of your host of friends wish the bride great happiness, as I do.

Very sincerely yours,

Hon. F. A. Delano,
1128, Sixteenth St.,
Washington, D. C.

BS/CC

Denver, Colorado,
April 17, 1917.

Dear Fred:

I have just succeeded in purchasing the history of the descendants of Elder John Strong, two volumes, which is the only genealogy of the Strong family ever prepared, and I believe one of the best of its type of any American family. These I am having sent to you by express and hope that you will extend your acquaintance with our common ancestors with profit and satisfaction.

Very sincerely yours,

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. C.

BS/CC

Denver, Colorado,
April 17, 1917.

Dear Fred:

I have just returned from a trip with the Welborns down to some of the mining camps and find copy of your correspondence with Mr. Gordon Jones. You doubtless have learned that he died very suddenly last week while undergoing a severe operation and I doubt if he received your letter before going to the hospital.

Since our exchange of telegrams about my return home I learn that Lord Cunliffe will shortly reach New York and, of course, I am determined to see him before he returns home. I am awaiting word from New York as to his plans, etc.

I hope things are going well with you and that you are not overworking.

Very sincerely yours,

BS/CC

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. C.

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

Receiver's No.

Check

Time Filed

oppo-
sired;
GRAM
AS A
E.

ing telegram, subject to the terms
ereof, which are hereby agreed to

Denver, Colorado,
April 11, 1917.

F. A. Delano,
Federal Reserve Board,
Washington, D. C.

Many thanks for wire and for your interest.

Strong.

Chg. Benj. Strong,
4100 Montview Blv.

ALL TELEGRAMS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING

To guard against mistakes or delays, the sender of a telegram should order it REPEATED, that is, telegraphed back to the originating office. One-half the unrepeated telegram rate is charged in addition. Unless otherwise indicated on its face, THIS IS AN UNREPEATED TELEGRAM. A telegram is not repeated in consideration whereof it is agreed between the sender of the telegram and this Company as follows:

1. The Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any UNREPEATED telegram received for sending the same; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any REPEATED telegram, beyond five per cent. of the value of the telegram, for sending the same, unless specially valued; nor in any case for delays arising from unavoidable interruption in the working of its lines; nor for mistakes or delays in the transmission or delivery of telegrams.

2. In any event the Company shall not be liable for damages for any mistakes or delays in the transmission or delivery, or for the non-delivery, of any telegram caused by the negligence of its servants or otherwise, beyond the sum of FIFTY DOLLARS, at which amount this telegram is hereby valued, unless a larger amount is specified in writing hereon at the time the telegram is offered to the Company for transmission, and an additional sum paid or agreed to be paid based on such valuation, not exceeding one per cent. thereof.

3. The Company is hereby made the agent of the sender, without liability, to forward this telegram over the lines of any other Company when necessary to reach the destination.

4. Telegrams will be delivered free within one-half mile of the Company's office in towns of 5,000 population or less, and within one mile of such office in larger towns. Beyond these limits the Company does not undertake to make delivery, but will, without liability, at the sender's request, as his agent and at his expense, contract for him for such delivery at a reasonable price.

5. No responsibility attaches to this Company concerning telegrams until the same are accepted at one of its transmitting offices; and if a telegram is sent to a messenger by one of the Company's messengers, he acts for that purpose as the agent of the sender.

6. The Company will not be liable for damages or statutory penalties in any case where the claim is not presented in writing within sixty days after the telegram is delivered or filed with the Company for transmission.

7. Special terms governing the transmission of messages under the classes of messages enumerated below shall apply to messages in each of such respective classes in addition to the foregoing terms.

8. No employee of the Company is authorized to vary the foregoing.

THE WESTERN UNION TELEGRAPH COMPANY

INCORPORATED

NEWCOMB CARLTON, PRESIDENT

CLASSES OF SERVICE

FAST DAY MESSAGES

A full-rate expedited service.

NIGHT MESSAGES

Accepted up to 2.00 A.M. at reduced rates to be sent during the night and delivered not earlier than the morning of the ensuing business day.

DAY LETTERS

A deferred day service at rates lower than the standard day message rates as follows: One and one-half times the standard Night Letter rate for the transmission of 50 words or less and one-fifth of the initial rate for each additional 10 words or less.

SPECIAL TERMS APPLYING TO DAY LETTERS:

In further consideration of the reduced rate for this special "Day Letter" service, the following special terms in addition to those enumerated above are hereby agreed to:

A. Day Letters may be forwarded by the Telegraph Company as a deferred service and the transmission and delivery of such Day Letters is, in all respects, subordinate to the priority of transmission and delivery of regular telegrams.

B. Day Letters shall be written in plain English. Code language is not permissible.

C. This Day Letter may be delivered by the Telegraph Company by telephoning the same to the addressee, and such delivery shall be a complete discharge of the obligation of the Telegraph Company to deliver.

D. This Day Letter is received subject to the express understanding that the Company does not undertake that a Day

Letter shall be delivered on the day of its date absolutely and at all events; but that the Company's obligation in this respect is subject to the condition that there shall remain sufficient time for the transmission and delivery of such Day Letter on the day of its date during regular office hours, subject to the priority of the transmission of regular telegrams under the conditions named above.

No employee of the Company is authorized to vary the foregoing.

NIGHT LETTERS

Accepted up to 2.00 A.M. for delivery on the morning of the ensuing business day, at rates still lower than standard night message rates, as follows: The standard day rate for 10 words shall be charged for the transmission of 50 words or less, and one-fifth of such standard day rate for 10 words shall be charged for each additional 10 words or less.

SPECIAL TERMS APPLYING TO NIGHT LETTERS:

In further consideration of the reduced rate for this special "Night Letter" service, the following special terms in addition to those enumerated above are hereby agreed to:

A. Night Letters may at the option of the Telegraph Company be mailed at destination to the addressees, and the Company shall be deemed to have discharged its obligation in such cases with respect to delivery by mailing such Night Letters at destination, postage prepaid.

B. Night Letters shall be written in plain English. Code language is not permissible.

No employee of the Company is authorized to vary the foregoing.

66

FILING DEPT.
DEC 11 1917

Denver, Colorado,
April 4, 1917.

CONFIDENTIAL.

FEDERAL RESERVE BANK

Dear Fred:

I have telegraphed to Harding, to Secretary McAdoo and to the office, indicating my readiness to return at any time. What I should have done was to go right back to New York, even if it only meant a visit for a few days there and in Washington, but possibly this letter will make clear the particular matters which tempted me to return, and I will ask you to consider it very carefully and to do what you can, if you think best, to promote what I have in mind.

1. My oldest son is in the National Guard, his regiment has been mobilized and I am terribly keen to see him before he is sent off to some inaccessible place where I may not be able to get at him for quite awhile. That is, however, but one personal consideration, which I don't want to urge in connection with my return.

2. The second however strikes me as being exceedingly important. You will recall the account which I gave you out here of the connection which I had had with the first English-French loan. Subsequently my trip to Europe at a time when everything was most depressed over there and the proposals to the Bank of England and the Bank of France, developed a cordial relationship with my old banking friends and some new ones over there which I believe would be of the greatest possible advantage in connection with any negotiations ever undertaken for international loans for the assistance of the allies in which our Government would have a hand. Any such transactions

To - Mr. Delano.

April 4, 1917.

should be handled through the agencies of the Reserve Bank System and the banks of England and France. After having worked on these matters now for two years nearly, I do not want the misfortune of my illness to interfere with my going on with work which I believe my acquaintanceship abroad would just now particularly qualify me to be of some service. It is really the one thing we need to give the Reserve Banks the international standing that they require -- that is to have us handle the banking end of transactions of that character. The machinery is really all established for the purpose and I have thought about it so much that I think the plans by which such transactions could be handled are already pretty well formulated in my mind. Therefore, I am writing you to urge most strongly that you find the means, if you can, to get this idea of the Reserve Banks acting for the government in connection with these foreign transactions and further see that when the time comes no sentimental or other consideration for my health is allowed to interfere with my taking some part in the job.

It really seems a joke to me that my son should be in the army, ready at any minute to go abroad and make any sacrifice, while I am out here coddling my health, notwithstanding that I feel able to be of some material service in the situation.

So far as my health is concerned, it could not be better. I have been playing 18 holes of golf every day and putting on weight at the same time. Last night I weighed 156 lbs., which is a gain of 27 lbs. since I came out here. Dr. Sewall, with whom I talked yesterday, said he would have to hunt up some new argument or excuse to keep me out here any longer.

To - Mr. Delano.

April 4, 1917.

I have written to no one on the subject of this letter except to Curtis, to whom I am telegraphing today, and I do hope that you and the others will not hesitate to telegraph me to come back at once and get to work. I am getting so restless any way that it would probably do me more harm to stay than to return.

In conclusion, let me say that I am writing you, knowing that you will be a sympathetic audience for my complaint and, further, because you have just been here, can appreciate in what good condition I am and how senseless it is for me to allow a few weeks' of top dressing, so to speak, to interfere with my getting back and tackling the work that I am really best qualified to do.

Best regards,

Faithfully yours,

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. C.

BS/cc

Denver, Colorado,
March 26, 1917.

My dear Fred:

Your visit was all too short but while it lasted I doubt if you realize what a great pleasure it was to me and how tremendously encouraging it is to have opportunity to talk things over with someone from home.

About my general condition and behavior, it seems to me there is no longer very much, if any, doubt that June should see me back at the bank and then further plans can be discussed after I have a better opportunity to get personally acquainted with the way the present organization is working.

As June 1st is now but two months away, I can only repeat what I stated to you personally and urge it as strongly as possible, viz.- that no important decision be made in regard to the bank and its general policy until a little later. By this I refer not only to the office organization which we discussed quite fully, but as well to matters of policy. I just have a letter from Mr. Treman, stating that Governor Harding had expressed the opinion that the stretch of two points between the minimum rate of 2% and the maximum rate of 4% for the purchases of bills was greater than advisable and that the Board hoped to reduce this differential to not over 1% in normal times. His feelings in this regard are undoubtedly the result of an initial error in the establishment of these rates which I think should now be corrected and in such a matter as this I really feel that my associates in New York have failed to grasp the true significance of the suggestion. The Federal Reserve Bank of New York should have a minimum rate and no maximum rate and then no question of differential will arise. Applying a maximum rate to our dealings in

To - Mr. Delano.

March 26, 1917.

bills has absolutely no bearing whatever. Bills are purchased as investments upon their merits, that is to say dependent upon the credit of the acceptor and endorsers, and the volume of bills of those particular names which happen to be offering. The maximum rate can be described possibly by the statement that the Reserve Board feels that the New York bank should not be authorized to buy bills which are so bad in quality that they can be purchased at a discount rate in excess of 4%, and that the Board exercises that degree of control not over the quantity purchased but over the quality of the bills. This is surely a very unsound principle. No one can pass on the quality of the bills we buy except those officers who are fully informed, in many cases confidentially, of the affairs of the acceptor. If the maximum rate is applied for the purpose of limiting the quantity, (which I cannot conceive to be possible) then it has the effect of limiting the bank's activities and discretion at the very time and in the very way, when they should have the freest possible latitude, viz.- when rates are advancing sharply and should be checked.

In this matter I really feel that it would be better to let the situation remain unchanged when it has worked very nicely for two years, giving no ground for complaint anywhere, and where experience has demonstrated that the New York Bank can be trusted to attend to its business properly.

In this and other similar matters if you and your associates would be willing to defer action until my return, I would deeply appreciate it, and you may be sure that after greeting my associates in New York my first move would be to go to Washington and discuss all of these matters with you and the others, with the utmost frankness.

To - Mr. Delano.

March 26, 1917.

Let me repeat what I said to you a number of times while you were here: I recognize that relations between the Board and our Bank have been a little strained in some matters and this situation must be corrected, of course, as soon as possible. While I was greatly disturbed and resented the announcement about the Bank of England matter, it is undoubtedly true that all such differences of opinion are of trifling importance compared to the work itself, we all want to accomplish the same thing and I would like to make clear to the Board that the results they want can be obtained without the adoption of arbitrary methods of control, the results of which would be unfortunate if they succeeded and equally unfortunate if they were resisted. Will it not be possible, therefore, for you to arrange with the Board to let some of these matters await my return before they are pressed?

It was a fine thing for you to come out here to see me. It has done me a world of good and I hope has enabled you to form a clear opinion of just what the situation is here and in the bank, and that your associates will have the benefit of it.

With many thanks and warmest good wishes,

Faithfully yours,

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. C.

BS/CC

P. S. Unfortunately the Kansas City report was left in the sitting room and I am mailing it to you under separate registered cover.

CLASS OF SERVICE DESIRED	
Day Message	<input checked="" type="checkbox"/>
Night Letter	<input type="checkbox"/>
Night Message	<input type="checkbox"/>
Night Letter	<input type="checkbox"/>

Patrons should mark an X opposite the class of service desired; OTHERWISE THE TELEGRAM WILL BE TRANSMITTED AS A FAST DAY MESSAGE.

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

Receiver's No.

Check

Time Filed

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

Denver, Colorado,
March 22, 1917.

F. A. Delano,
Union Pacific Train 119,
Deer Trail, Colorado.

Will meet you at station. Am arranging for luncheon at Denver

Club tomorrow.

Benjamin Strong.

Chg. Benj. Strong,
4100 Montview Blv.

ALL TELEGRAMS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS

To guard against mistakes or delays, the sender of a telegram should order it REPEATED, that is, telegraphed back to the originating office for comparison. For this, one-half the unrepeated telegram rate is charged in addition. Unless otherwise indicated on its face, THIS IS AN UNREPEATED TELEGRAM AND PAID FOR AS SUCH, in consideration whereof it is agreed between the sender of the telegram and this Company as follows:

1. The Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any UNREPEATED telegram, beyond the amount received for sending the same; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any REPEATED telegram, beyond fifty times the sum received for sending the same, unless specially valued; nor in any case for delays arising from unavoidable interruption in the working of its lines; nor for errors in cipher or obscure telegrams.

2. In any event the Company shall not be liable for damages for any mistakes or delays in the transmission or delivery, or for the non-delivery, of this telegram, whether caused by the negligence of its servants or otherwise, beyond the sum of FIFTY DOLLARS, at which amount this telegram is hereby valued, unless a greater value is stated in writing hereon at the time the telegram is offered to the Company for transmission, and an additional sum paid or agreed to be paid based on such value equal to one-tenth of one per cent. thereof.

3. The Company is hereby made the agent of the sender, without liability, to forward this telegram over the lines of any other Company when necessary to reach its destination.

4. Telegrams will be delivered free within one-half mile of the Company's office in towns of 5,000 population or less, and within one mile of such office in other cities or towns. Beyond these limits the Company does not undertake to make delivery, but will, without liability, at the sender's request, as his agent and at his expense, endeavor to contract for him for such delivery at a reasonable price.

5. No responsibility attaches to this Company concerning telegrams until the same are accepted at one of its transmitting offices; and if a telegram is sent to such office by one of the Company's messengers, he acts for that purpose as the agent of the sender.

6. The Company will not be liable for damages or statutory penalties in any case where the claim is not presented in writing within sixty days after the telegram is filed with the Company for transmission.

7. Special terms governing the transmission of messages under the classes of messages enumerated below shall apply to messages in each of such respective classes in addition to all the foregoing terms.

8. No employee of the Company is authorized to vary the foregoing.

THE WESTERN UNION TELEGRAPH COMPANY

INCORPORATED

NEWCOMB CARLTON, PRESIDENT

CLASSES OF SERVICE

FAST DAY MESSAGES

A full-rate expedited service.

NIGHT MESSAGES

Accepted up to 2.00 A.M. at reduced rates to be sent during the night and delivered not earlier than the morning of the ensuing business day.

DAY LETTERS

A deferred day service at rates lower than the standard day message rates as follows: One and one-half times the standard Night Letter rate for the transmission of 50 words or less and one-fifth of the initial rate for each additional 10 words or less.

SPECIAL TERMS APPLYING TO DAY LETTERS:

In further consideration of the reduced rate for this special "Day Letter" service, the following special terms in addition to those enumerated above are hereby agreed to:

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B. Day Letters shall be written in plain English. Code language is not permissible.

C. This Day Letter may be delivered by the Telegraph Company by telephoning the same to the addressee, and such delivery shall be a complete discharge of the obligation of the Telegraph Company to deliver.

D. This Day Letter is received subject to the express understanding and agreement that the Company does not undertake that a Day

Letter shall be delivered on the day of its date absolutely and at all events; but that the Company's obligation in this respect is subject to the condition that there shall remain sufficient time for the transmission and delivery of such Day Letter on the day of its date during regular office hours, subject to the priority of the transmission of regular telegrams under the conditions named above.

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NIGHT LETTERS

Accepted up to 2.00 A.M. for delivery on the morning of the ensuing business day, at rates still lower than standard night message rates, as follows: The standard day rate for 10 words shall be charged for the transmission of 50 words or less, and one-fifth of such standard day rate for 10 words shall be charged for each additional 10 words or less.

SPECIAL TERMS APPLYING TO NIGHT LETTERS:

In further consideration of the reduced rate for this special "Night Letter" service, the following special terms in addition to those enumerated above are hereby agreed to:

A. Night Letters may at the option of the Telegraph Company be mailed at destination to the addressees, and the Company shall be deemed to have discharged its obligation in such cases with respect to delivery by mailing such Night Letters at destination, postage prepaid.

B. Night Letters shall be written in plain English. Code language is not permissible.

No employee of the Company is authorized to vary the foregoing.

CLASS OF SERVICE	
Fast Day Message	
Letter	
Night Message	
Night Letter	
Patrons should mark an X opposite the class of service desired; OTHERWISE THE TELEGRAM WILL BE TRANSMITTED AS A FAST DAY MESSAGE.	

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

Receiver's No.
Check
Time Filed

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

Denver, Colorado,
March 18, 1917.

F. A. Delano,
Federal Reserve Bank,
Chicago, Ill.

Delighted that you will be here as planned on Friday and will keep you just as long as you can possibly stay. If anything interferes I would meet you in Chicago but hope that wont be necessary.

Benjamin Strong,

Chg. ~~Radar~~
Benjamin Strong,
4100 Montview blvd.

ALL TELEGRAMS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS

To guard against mistakes or delays, the sender of a telegram should order it REPEATED, that is, telegraphed back to the originating office for comparison. One-half the unrepeated telegram rate is charged in addition. Unless otherwise indicated on its face, THIS IS AN UNREPEATED TELEGRAM AND PAID FOR AS SUCH in consideration whereof it is agreed between the sender of the telegram and this Company as follows:

1. The Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any UNREPEATED telegram, beyond the amount received for sending the same, unless specially valued; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any REPEATED telegram, beyond fifty times the sum received for sending the same, unless specially valued; nor in any case for delays arising from unavoidable interruption in the working of its lines; nor for errors in cipher or obscure telegrams.
2. In any event the Company shall not be liable for damages for any mistakes or delays in the transmission or delivery, or for the non-delivery, of this telegram, whether caused by the negligence of its servants or otherwise, beyond the sum of FIFTY DOLLARS, at which amount this telegram is hereby valued, unless a greater value is stated in writing hereon at the time the telegram is offered to the Company for transmission, and an additional sum paid or agreed to be paid based on such value equal to one-tenth of one per cent. thereof.
3. The Company is hereby made the agent of the sender, without liability, to forward this telegram over the lines of any other Company when necessary to reach its destination.
4. Telegrams will be delivered free within one-half mile of the Company's office in towns of 5,000 population or less, and within one mile of such office in other cities or towns. Beyond these limits the Company does not undertake to make delivery, but will, without liability, at the sender's request, as his agent and at his expense, endeavor to contract for him for such delivery at a reasonable price.
5. No responsibility attaches to this Company concerning telegrams until the same are accepted at one of its transmitting offices; and if a telegram is sent to such office by one of the Company's messengers, he acts for that purpose as the agent of the sender.
6. The Company will not be liable for damages or statutory penalties in any case where the claim is not presented in writing within sixty days after the telegram is filed with the Company for transmission.
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THE WESTERN UNION TELEGRAPH COMPANY
INCORPORATED
NEWCOMB CARLTON, PRESIDENT

CLASSES OF SERVICE

FAST DAY MESSAGES

A full-rate expedited service.

NIGHT MESSAGES

Accepted up to 2.00 A.M. at reduced rates to be sent during the night and delivered not earlier than the morning of the ensuing business day.

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deliver this Day Letter is received subject to the express understanding and agreement that the Company does not undertake that a Day

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CLASS OF SERVICE DESIRED	
Day Message	<input checked="" type="checkbox"/>
Letter	<input type="checkbox"/>
Night Message	<input type="checkbox"/>
Night Letter	<input type="checkbox"/>
Patrons should mark an X opposite the class of service desired; OTHERWISE THE TELEGRAM WILL BE TRANSMITTED AS A FAST DAY MESSAGE.	

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

Receiver's No.

Check

Time Filed

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

Denver, Colorado, March 21, 1917.

F. A. Delano,
Federal Reserve Bank,
Chicago, Ill.

Believe luncheon meeting Friday good plan. Please telegraph promptly if I shall make arrangements or whether Malone is doing so.

Benjamin Strong,

Chg. Benj. Strong,
4100 Montview Blv.

'Phoned to W. U.
11:10 A. M. Wednesday.

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To guard against mistakes or delays, the sender of a telegram should order it REPEATED, that is, telegraphed back to the originating office for comparison. For this, one-half the unrepeatable telegram rate is charged in addition. Unless otherwise indicated on its face, THIS IS AN UNREPEATED TELEGRAM AND PAID FOR AS SUCH, in consideration whereof it is agreed between the sender of the telegram and this Company as follows:

1. The Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any UNREPEATED telegram, beyond the amount received for sending the same; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any REPEATED telegram, beyond fifty times the sum received for sending the same, *unless specially valued*; nor in any case for delays arising from unavoidable interruption in the working of its lines; *nor for errors in cipher or obscure telegrams.*

2. In any event the Company shall not be liable for damages for any mistakes or delays in the transmission or delivery, or for the non-delivery, of this telegram, whether caused by the negligence of its servants or otherwise, beyond the sum of FIFTY DOLLARS, at which amount this telegram is hereby valued, unless a greater value is stated in writing hereon at the time the telegram is offered to the Company for transmission, and an additional sum paid or agreed to be paid based on such value equal to one-tenth of one per cent. thereof.

3. The Company is hereby made the agent of the sender, without liability, to forward this telegram over the lines of any other Company when necessary to reach its destination.

4. Telegrams will be delivered free within one-half mile of the Company's office in towns of 5,000 population or less, and within one mile of such office in other cities or towns. Beyond these limits the Company does not undertake to make delivery, but will, without liability, at the sender's request, as his agent and at his expense, endeavor to contract for him for such delivery at a reasonable price.

5. No responsibility attaches to this Company concerning telegrams until the same are accepted at one of its transmitting offices; and if a telegram is sent to such office by one of the Company's messengers, he acts for that purpose as the agent of the sender.

6. The Company will not be liable for damages or statutory penalties in any case where the claim is not presented in writing within sixty days after the telegram is filed with the Company for transmission.

7. *Special terms governing the transmission of messages under the classes of messages enumerated below shall apply to messages in each of such respective classes in addition to all the foregoing terms.*

8. *No employee of the Company is authorized to vary the foregoing.*

THE WESTERN UNION TELEGRAPH COMPANY
INCORPORATED
NEWCOMB CARLTON, PRESIDENT

CLASSES OF SERVICE

FAST DAY MESSAGES

A full-rate expedited service.

NIGHT MESSAGES

Accepted up to 2.00 A.M. at reduced rates to be sent during the night and delivered not earlier than the morning of the ensuing business day.

DAY LETTERS

A deferred day service at rates lower than the standard day message rates as follows: One and one-half times the standard Night Letter rate for the transmission of 50 words or less and one-fifth of the initial rate for each additional 10 words or less.

SPECIAL TERMS APPLYING TO DAY LETTERS:

In further consideration of the reduced rate for this special "Day Letter" service, the following special terms in addition to those enumerated above are hereby agreed to:

A. Day Letters may be forwarded by the Telegraph Company as a deferred service and the transmission and delivery of such Day Letters is, in all respects, subordinate to the priority of transmission and delivery of regular telegrams.

B. Day Letters shall be written in plain English. Code language is not permissible.

C. This Day Letter may be delivered by the Telegraph Company by telephoning the same to the addressee, and such delivery shall be a complete discharge of the obligation of the Telegraph Company to deliver.

D. This Day Letter is received subject to the express understanding and agreement that the Company does not undertake that a Day

Letter shall be delivered on the day of its date absolutely and at all events; but that the Company's obligation in this respect is subject to the condition that there shall remain sufficient time for the transmission and delivery of such Day Letter on the day of its date during regular office hours, subject to the priority of the transmission of regular telegrams under the conditions named above.

No employee of the Company is authorized to vary the foregoing.

NIGHT LETTERS

Accepted up to 2.00 A.M. for delivery on the morning of the ensuing business day, at rates still lower than standard night message rates, as follows: The standard day rate for 10 words shall be charged for the transmission of 50 words or less, and one-fifth of such standard day rate for 10 words shall be charged for each additional 10 words or less.

SPECIAL TERMS APPLYING TO NIGHT LETTERS:

In further consideration of the reduced rate for this special "Night Letter" service, the following special terms in addition to those enumerated above are hereby agreed to:

A. Night Letters may at the option of the Telegraph Company be mailed at destination to the addressees, and the Company shall be deemed to have discharged its obligation in such cases with respect to delivery by mailing such Night Letters at destination, postage prepaid.

B. Night Letters shall be written in plain English. Code language is not permissible.

No employee of the Company is authorized to vary the foregoing.

Personal File

To - Hon. F. L. D. ...

March 3, 1917

H4

Denver, Colorado,
March 3, 1917.

Dear Fred:

Your bully letter of February 27th reached me yesterday and I confess to some relief from a good deal of anxiety about recent developments, but what pleased me most of all was your proposed itinerary bringing you to Denver about the 22nd or 23d. I have a room already for you and hope you will make me a real visit, not hustling off in a day or two as most of my eastern visitors have. Besides that, there are a good many matters of real importance that I want to discuss with you.

It will be so much better to have them out face to face that I will only refer to two matters in replying to your letter, which illustrate in a striking way the origin and cause of misunderstandings by the Reserve Board.

One is Harding's feeling in regard to his treatment by bankers. He probably does not realize it, but the best friends he has got in connection with his work are the New York bankers, who admire him and respect his independence of influences in which most people would expect to find him most subservient, and next to these New York bankers are the Governors of the Reserve Banks. Harding is the only man on the Reserve Board who has ever run a bank and everyone of the Governors of the Reserve Banks when we have meetings in Washington with the Board has been made conscious of the fact that in dealing with Harding, we are all talking in the same language. While at the time, I thought it was a great mistake for the President to appoint Harding Governor of the Board, because I think the office should be occupied successively by the Deputy Governors and because it appeared to be influenced somewhat by sectionalism, I can honestly

To - Hon. F. A. Delano.

March 3, 1917.

say that so far as the Governors are concerned, Harding is the man that can hold them together and in line better than any other man on the Board, and it has distressed me to feel that it is largely his influence which is being directed to the development of a new system that will alienate, to some extent, the loyalty and dampen the enthusiasm of those men. In other words, Harding is guilty of a complete misconception of his position and influence and the present policy will weaken it and he will lose the very thing that gives him such a great advantage.

The other cause of misunderstanding is illustrated by your remark that the Governors regard the Board with a feeling of mixed pity and contempt. There isn't any reason why I should not tell you frankly just what the feeling is in that respect. While there may be an exception here and there, the consensus of the views of the Governors about the Reserve Board is that they are a high minded and unusually able body of men, who are thoroughly honest and can be relied upon to the limit. As men, I can tell you the Governors are very fond of the members of the Board and proud of their relations with them. But the other side of the picture is quite different. The Board undertook their duties with no practical experience in banking of the kind that is done in this country, except Harding. For two years or more, certainly for the first eighteen months, when the Governors met in Washington they have listened at times (and I may say without a smile) to some most extraordinary statements, lectures and propositions on banking. It was even at times worse than this - they had a big stick waived at them in an effort to force compliance with terms which they knew were unsound and dangerous so far as their duties at home were concerned, they have frequently been standing between their member banks irate and aggressive as the

To - Hon. F. A. Delano.

March 3, 1917.

result of various developments, and the members of the Reserve Board who failed entirely to grasp the practical difficulties. These Governors would not be human if they did not come to the conclusion that the members of the Board had a lot to learn and that during the period when members of the Board were getting a grasp on the detail of the System the Governors should be trusted and their opinions and recommendations regarded, as to the actual physical management of their own banks. The best illustration that I can give you of the causes of some of the criticisms among the Governors is, possibly, the last Annual Report to Congress. In that Report the Board in effect states that a clearing plan was adopted from the recommendations of the Governors which proved to be a failure and the Board then prepared a plan to substitute for the old one, which was now successfully in operation. This statement in the Report, which I have of course paraphrased, is read by all of those governors who felt that in the first instance they were forced into an adoption of the immediate Debit and Credit plan by the Reserve Board which they did not believe in, did not think would work and felt was unsound. For eighteen months or more they had been fighting, with the exception of two banks, for the adoption of a deferred debit and credit plan. All of a sudden the Board, as a result of your proposition and Harding's, abandoned its insistence upon immediate debit and credit, whereupon a plan which was mutually satisfactory was prepared and put into operation. That sort of thing has happened pretty often. It would be a great deal wiser for the Board to put more dependance upon the bank officers and at the same time more responsibility in these matters, and the response in helpful suggestions, cooperation and freer exchange of views would be instantaneous.

To - Hon. F. A. Delano.

March 3, 1917.

To tell you the truth, I think pride - the pride of authorship - miserable and trouble making sentiment as it is, has a lot to do with this.

Your attitude in these matters has always been so tremendously appreciated by the Reserve Bank officers, and has been such a powerful influence in keeping things going, that I didn't think it right to let matters drift along without writing you. We are entering very serious times and it seems as though the last few months a strange situation has arisen which ought to be corrected. I do hope that you can get out here so that we can talk it over.

Above all things don't worry about the New York Bank; they may appear to be disagreeable at times but you and your associates can always rely upon them to do the right thing.

Faithfully yours,

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. C.

BS/CC

Personal File

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March 3, 1917.

Dear Fred:

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Above all things don't worry about the New York Bank; they may appear to be disagreeable at times but you and your associates can always rely upon them to do the right thing.

Faithfully yours,

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. C.

BS/CC

COPY OF LETTER FROM GOVERNOR STRONG TO MR. F. A. DELANO OF THE FR BOARD

Denver, Colorado
February 19, 1917

Dear Fred:

You and I know each other well enough to justify our being absolutely frank with each other, and I am sure that our motives in sticking at the jobs we respectively hold are free from the remotest suspicion of selfish interest, so I want to write you about some things that are in my mind just as frankly as I would if you were here to discuss them. It would be more natural for me to write Warburg possibly, as it was his urgency that landed me in my present job, but I regret to say that the subject of this letter is one over which he and I have frequently disagreed and I fear he would not lend a sympathetic ear just now.

For some time, in fact ever since the reorganization of the Federal Reserve Board, I have been growing conscious of the development of a policy by the Board of actually running the Federal Reserve Banks, as distinguished from supervising them. There is no need for me recounting the evidences to which I refer, but even at this distance the examination of the proposed amendments to the law, reading the Board's Annual Report, the stenographic reports of the conferences of Reserve Agents, Governors, etc., etc., have convinced me that a very distinct change of policy has taken place, which is the result of a deliberate decision by the Board after careful consideration.

In fact, I can almost picture to myself the actual discussion taking place, in which it was decided to curb the activities of the Governors, take the reins firmly in hand and not simply guide the System, but actually run it in detail.

This letter is not necessarily to complain about any such decision. It is one of those matters of policy where the Board already had considerable powers and where lacking powers it can go to Congress to have them enlarged, and, in fact, is already doing so. Such a course is all in the direction of the development of a central bank, with the Board of Directors in Washington, the banks themselves being branches subject to the governments of local bodies, the business conducted by branch managers. If that is the policy of the Board, it will ultimately result in a central bank in fact though not in form, but I believe will destroy the System.

My reason for writing you this letter is because such a policy would be quite contrary to that which I understood would prevail when I joined the Bank and would so alter the character of the work which I have endeavored to do and want to do in the future that I would be quite unsuited to continue to hold a position where the detailed management of the Reserve Bank of New York was directed from a distance of 225 miles and, if you please, by men whose experience has not yet developed to a point where such a course would be safe or reasonable. You must not misunderstand my saying this so frankly. I have the greatest respect for the members of the Board, know that they have undertaken the work as a matter of public duty and not pleasure or profit and that it is an uncomfortable position which makes them a mark for all the kickers. Just the same, the Governors of the Reserve Banks as a whole have had the kind of impractical banking experience which most of the members

February 19, 1917

of the Board have not had. Many of the proposals of the Board have in my opinion been unsound and impracticable, and some of them would have been adopted were it not for the urgency of the Governors and for the intimate discussions, etc., which result from these Governors' Conferences and generally the Governors' activities. There is no use in citing many examples, but one or two are illuminating. Had we undertaken the immediate credit scheme as was so strongly urged by the Board and it had been as successful as the present plan, the Reserve Banks would today hold about \$125,000,000 less gold and would have been carrying an equal amount of float. In fact, the System was saved from a disaster in my opinion by the more conservative views of the Governors, based on practical experience, which finally prevailed.

The same is true of some features of the development of the bill business. In the first instance, members of the Board insisted that Reserve Banks should buy no bills based upon exports of contraband. You will recall the anxiety which this caused me personally. Later, regulations were attempted which would have had this same effect had they not been defeated and again proposed discriminations against non-member banks, requirements for member bank endorsements, etc., which were wholly impracticable, would have greatly retarded the present healthy development of American bills. Theoretical provisions in the early regulations of the Board which, frankly, were based entirely upon theory and very little upon experience could be cited to illustrate the point I am making.

If the Governors of the Reserve Banks, who speak for their directors, are to be relegated to the position of branch managers and a more arbitrary and directory authority assumed by the Board, I believe the System will suffer both in management and in personnel. As an illustration, I happen to know that four or five of the Governors have been offered vastly better positions from the point of salary than those which they now hold and have declined them because they were interested in their present work and because they appreciated the dignity and importance of their offices. They have most of them asked my advice, or spoken to me of these opportunities, and I have urged them to dismiss them. The same is true in our own organization in New York. Our junior officers have been picked with great care, they have made their abilities felt in New York and some of the banks have tried to get them away from us, without success. Confidentially, I recently heard that Mr. Jay had received a very attractive offer, which he declined. Not very long ago, I was asked to become a partner in a firm composed of personal friends, where I suppose my income would have been five or ten times what it is now, and declined it without a second thought. Just as soon as these Reserve Bank men lose the prestige which the Board originally encouraged them to develop, they are going to find other positions as sure as fate. I think the same argument applies to the relations between the Reserve Banks and the member banks. There was a long period in New York when it was almost the flip of a coin whether the loyalty of our members was retained or lost, and I do not think I am exaggerating when I say that their loyalty to me personally had a great deal more to do with their allegiance than did their consideration or respect for the Reserve Board.

Just as soon as the Reserve Board permits the impression to grow that the Reserve Banks are being run from Washington, much of the value of the past two years' work will be lost. This is more particularly true now that Mr. Wilson has been reelected and the feelings of uncertainty and unhappiness about some features of his administration are allowed to continue.

I want to see the System a success and I am very keen to have an active part in developing all of the functions of the Bank in New York and in a way so that we will not only enjoy the loyalty of our present members, but eventually gain the membership of all the big institutions. Frankly, I cannot do that as a clerk and without at least the continuance of as much autonomy and independence as we have formerly enjoyed.

This matter has given me much anxiety for some time past and I would greatly like to have it relieved. You probably realize, as I do, that my tenure of office is only a limited one anyway. I am hoping now to be able to return some time this summer, spend a short time in New York, doing some necessary reorganization work in the Bank, and then at once go to Europe to perfect our foreign arrangements and actually see them operating on the ground. It had then been my thought to return home, put in some good licks in perfecting our organization and putting the finishing touches on the work, breaking in a successor, and then asking to be relieved. It had also been in my mind that the period of the conclusion of the war and possibly afterwards would develop foreign transactions of such great importance that a scheme might be devised by which I could spend a year or two abroad as the representative of the System, providing that met with the views of the Boards in Washington and New York. All of these plans are really dependent upon the continuance of the status quo.

Now, in conclusion let me say that since taking up the work in New York I have endeavored by every means in my power to give the Bank an unselfish administration, not only as to the other Reserve Banks, but in all matters having to do with the relations between the Reserve Banks and the Reserve Board. We have, of course, differed at times, but have never failed to get together. Why may I ask is it necessary now that this policy be changed? I suppose the Board has the power to bring about a great alteration in the relations between the Board and the Banks, but is it necessary or advisable to adopt any such policy and what good will it accomplish, at any rate until the country is prepared to accept in fact the necessity of a central bank?

Won't you write me a nice, friendly letter, giving me your own views and telling me so far as you can just what this all means? I do not believe I have exaggerated the situation, but hope that I have.

I have been in bed the last few days with a cold and am up and about again now, and am hoping to catch up some with the mass of accumulated correspondence.

With warmest regards,

Sincerely yours,

[Benjamin Strong]

Denver, Colorado,
February 19, 1917.

Dear Fred:

You and I know each other well enough to justify our being absolutely frank with each other, and I am sure that our motives in sticking at the jobs we respectively hold are free from the remotest suspicion of selfish interest, so I want to write you about some things that are in my mind just as frankly as I would if you were here to discuss them. It would be more natural for me to write Warburg possibly, as it was his urgency that landed me in my present job, but I regret to say that the subject of this letter is one over which he and I have frequently disagreed and I fear he would not lend a sympathetic ear just now.

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To - Hon. F. A. Delano.

February 19, 1917.

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My reason for writing you this letter is because such a policy would be quite contrary to that which I understood would prevail when I joined the bank and would so alter the character of the work which I have endeavored to do and want to do in the future that I would be quite unsuited to continue to hold the position, both by training and temperament. Let me say frankly, and I know you will not misunderstand my meaning, that I could not hold a position where the detailed management of the Reserve Bank of New York was directed from a distance of 225 miles and, if you please, by men whose experience has not yet developed to a point where such a course would be safe or reasonable. You must not misunderstand my saying this so frankly. I have the greatest respect for the members of the Board, know that they have undertaken the work as a matter of public duty and not pleasure or profit and that it is an uncomfortable position which makes them a mark for all the kickers. Just the same, the Governors of the Reserve Banks as a whole have had the kind of practical banking experience which most of the members of the Board have not had. Many of the proposals of the Board have in my opinion been unsound and impracticable, and some of them would have

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Sincerely yours,

Hon. F.A.A. Delano,
Washington, D. C.

BS/CC

44

Denver, Colorado,
January 4, 1917.

Dear Fred:

I was delighted to have your bully letter of the 19th which, however, did not reach me until my return from the mountains on January 1st. My two boys came on for the holidays and we spent them on top of the Rockies at about two miles elevation, right under the shadow of Long's Peak. It was a great experience as we put up with some homesteaders who laid themselves out to give us a grand Christmas holiday and they certainly succeeded in doing so.

This letter is entirely personal and only for your eye, as I consider yours is to me, so I am going to write you quite frankly.

I would have no fear, even after reading your figures, that our National and State Banks and Trust Companies were going to get overloaded with foreign government securities, particularly if these were mostly short-dated such as the proposed exchequer bills. The general subject of the character of our bank investments strikes me, apparently, differently from what it does some members of the Board. If there is any danger arising from this cause, it will be from excessive investments in the securities of inflated American enterprises. \$4,000,000,000 of bond and stock investments is too much for our banks to hold, but \$300,000,000 of securities of foreign governments, as I view it, is too little for them to hold. The latter will prove a great safeguard in the future and none would serve that purpose to my mind so admirably as constantly maturing treasury bills. Assuming that these are all English bills, the only objection to their ownership would be

To - Mr. Delano.

January 4, 1917.

the possibility of default. Great Britain is collecting in this fiscal year \$2,600,000,000 from taxes alone and I have no doubt that next year this will be increased to \$3,000,000,000 or \$3,500,000,000. No nation that has such tax paying power as this is going to default on a few hundred millions of foreign debt. It strikes me that the duty of the Board in the present situation is to discourage excessive investments by National Banks in long time securities of American origin, but to place no obstacle in the way of investments in these short time foreign obligations, at any rate so long as the total is so moderate as at present. I do agree, however, with your statement that there is a difference between your drawing a balance from the bank in order to invest in bonds and having your bank make that investment, but under present conditions I think the danger will come from excessive investments, as I have stated, in domestic stuff.

Your warning seems to have been based upon the supposition that these treasury bills were not properly banking investments, and that there was danger of default upon them. As stated, I do not agree with the latter and as to the former, the Board really has ignored banking history, it seems to me, most lamentably. The Bank of England was chartered by William and Mary for the purpose of making loans to the government, as were almost all of the great government banks. The fiscal systems of England, France and Germany are to some extent based upon standing arrangements by which the revenues of the government are equalized throughout the year by short borrowings from the central banks, this being particularly true of the budget system of Great Britain. All the great joint stock banks of Europe have made loans of this character, not only to their own governments and municipal subdivisions ever since such borrowings have been customary, but

To - Mr. Delano.

January 4, 1917.

they make a regular practice of making similar loans to foreign governments and to foreign municipalities. When the war broke out the great banks of London and Paris held \$86,000,000 of such obligations of the City of New York alone. I know a few securities which are so absolutely banking securities in every respect as are the short obligations of governments. They are comparable, although better, with bills of exchange drawn against commodities, because their payment rests securely upon the taxing power of governments, which is the most absolutely certain income that is known.

But as a matter of fact this phase of the subject does not interest me quite as much as does the personal equation, and I am mighty glad to have you write me frankly about the Board's experiences with Kent and Davison, as it gives me opportunity to let you know just how I feel about that matter.

The past twenty years have unfortunately developed mutual suspicions between what we will describe as Wall Street on one hand and Washington on the other. Honest men on Wall Street find it impossible to establish satisfactory relations with equally honest men in Washington. It is because the country is divided politically and socially in these matters into two camps, and members of each camp approach members of the other with all of the formality, with all the undercurrent of suspicion and hostility that makes negotiations of any kind almost impossible. I thoroughly understand the difficulties that you have encountered in these two matters, but I must be frank in saying that I just as thoroughly understand the difficulties that Kent and Davison must have felt that they encountered. It was a mistake for them to go to Washington,

To - Mr. Delano.

January 4, 1917.

and, while I knew nothing of Davison's visit, I had received word that the suggestion had been made that Kent and others go to Washington to discuss the French credits, and at once wrote to the boys at the office that I thought that was the wrong way to handle the matter.

The fact is, Fred, that I am convinced that timidity, as well as suspicion, has had a great deal to do with this whole episode of treasury bills and banking credits. I cannot ~~for the life of me~~ understand why the Board should become uneasy as to a few hundred millions of short-time government obligations, most of them secured of Great Britain and France, and of less than \$100,000,000 of banking credits, most of which are also secured and are issued under guarantees of the greatest banks in the world. London before the war customarily carried \$200,000,000 sterling of finance credits and our banking system is three or four times as big as the English system. We have got many times the English gold reserve, the nation's wealth is nearly three times that of Great Britain, and we balk at a few hundred millions of credits which are fortified by obligations, collaterals and other securities superior to anything ever known in the history of banking.

Davison is sometimes very difficult to deal with. I am frank to admit that I agree with you that had I been in New York and able to stand between in this thing, no such incident would have occurred. I don't need to remind you of the history of the first Anglo-French loan, nor do I need hesitate to tell you that the evidence in your letter of a sane and courageous attitude in these matters has done me a tremendous amount of good. I have been frightfully discouraged by a series of occurrences, which I was utterly unable to understand and which struck me as evidence of weakness in a place and at a time when true courage and leadership should have been displayed.

To - Mr. Delano.

January 4, 1917.

It would do me a world of good to see you out here, but I realize that it is a selfish and unreasonable suggestion to ask you to come, and besides that it would, no doubt, cause critical comment. I agree with you that McAdoo, had he been on hand, would undoubtedly have tempered this matter, and in such situations it has always struck me that he exhibits admirable tact and judgment.

Of course I am gratified to have the Bank of England arrangement approved without qualification. The Board's announcement was a sad blow, however, and strikes me as being such a serious matter that I particularly refer to it here, as I understand the Bank in New York is dealing with the matter directly. Were you here, I could explain the seriousness of some of the embarrassments which it has caused, or may cause, which would be inadvisable in this letter.

Warburg has some memoranda from me about the amendments and I am hoping to write him in a day or two about the revision of the proposed greenback amendment. With one exception, I think all of these amendments are in the right direction, but I do wish they could be changed in some particulars, all of which has been advised to Warburg.

I see many evidences of Harding's energy in the work of the Board and am delighted that the change is working out so well. On the other hand, I am frank to say that your own appointment was the one I had looked for -- it was logical and I was absolutely stunned when I heard that it had not been made.

Some much better news reaches me about Kains. Those hemorrhages were a most unexpected development and almost finished him, but now I hear that he is going to get well.

To - Mr. Delano.

January 4, 1917.

Once more, a great many thanks for your letter. I wish I could hear from you oftener, but better still have a good visit with you. I look forward to your trip in March, if you do not make it earlier.

With warmest regards and good wishes for the New Year, both to you and Mrs. Delano,

Very sincerely yours,

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. C.

BS/cc

December 11th, 1916.

PERSONAL.

My dear Fred:

Would it be possible for you to send me in strict confidence the figures obtained by the Comptroller as to holdings of foreign securities by national banks? I would be a good deal influenced in my opinion in regard to the present situation if I could get hold of these figures, which would be treated with such confidence as you suggest.

If the time ever comes when you are able to slip away for a week or so for a bit of a change and rest, why not take a look at Denver and incidentally pay me a visit? There are a thousand things I would like to talk over with you.

Faithfully yours,

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D.C.

BS/VCM

44

November 17, 1916.
FILING DEPT.
DEC 6 - 1917
FEDERAL RESERVE BANK

Hon. F. A. Delano
Federal Reserve Board
Washington, D. C.

My dear Fred:

I am just advised that the book you were good enough to send me, "Recollections of my Mother" has been received at the office and I am mighty glad indeed to have it. A great many thanks to you for your thoughtfulness.

I am loafing here, endeavoring to get back what I lost during the last month or two and the rest and change has benefited me tremendously already. I trust you can get down to see me here, particularly as I expect to stay some time and will be in need of good company.

With warmest regards,

Very truly yours

Virginia Hot Springs

4100 Montview Boulevard.

44
DeLano

PERSONAL.

FILING DEPT.

Denver, Colorado,

October 23rd, 1916.
FEDERAL RESERVE BANK

My dear Fred:

I was very glad to get yours of the 17th and read the copy of your letter to President Eliot with great interest.

My own political feeling this year has been terribly mixed. Wilson is entitled to much credit for some things he has done and severe condemnation, it seems to me, for things he has failed to do. On the whole, had I been convinced of the sincerity of his position and of his party, I might have been tempted were I able to vote, to vote for him. The Lusitania incident, the railroad strike incident and his persistent and groundless charges of dishonesty against the so-called money power have been altogether too much for me. I could not conscientiously vote for him although I would in some ways regret the necessity of voting for Hughes.

Of course, the President has made no end of mistakes in Mexico, but I am not sure that any of us might not have made the same mistakes.

I am glad you are not going to publish the letter. That would do harm and I fear make bad feeling.

To Hon. F. A. Delano.

Oct. 23, 1916.

Where does the President get his information to the effect that Wall Street is opposing his reelection in order to get control of the new banking system? Evidence of any such effort would first be apparent in the Federal Reserve Bank of New York. Our difficulty there has been to get the New York bankers to take sufficient interest in our elections of directors to ensure our having a strong Board. There never has been the slightest evidence since the bill was passed that the New York bankers had any such design in mind.

Have you been able to impress upon the State Department the merits of the proposed foreign arrangements? We ought to be making progress and if Messrs. Lansing and Polk will give us a favorable reply I think it would be possible to conclude the arrangement in London and, possibly, in Paris at a very early date.

Thank you for sending me the letter. I will be mighty glad to hear from you when you have time to drop me a line.

Sincerely yours,

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. C.

BS/VCM

Estes Park, Colo.,

September 22nd, 1916.

Dear Fred:

Your letter of September 14th from Pulpit Harbor, all written by hand is a tribute to friendship few men nowadays are willing to pay. No one after writing such a letter can be classed as a "bum correspondent."

The Summer at Estes Park has been well worth while. It is one of the most beautiful places I have ever visited, certainly as beautiful, and more so in some ways, as Switzerland and the air is as fine as anywhere in the country. We are surrounded by the mountains, those on the West being the Continental Divide with elevations all the way from 10,000 to 14,000 feet. Just now there is quite a little snow on the Divide. We have had two or three snowfalls up there and one down here in the Park. The only disadvantage here is the food. Everything has to be toted in some thirty-odd miles from the railroad and during the busy season the hotels here seem unable to give good service in the diningroom. Had it not been for that difficulty, I would probably have spent the Winter here. But after consulting Dr. Sewall and upon his urgent advice, I have taken a furnished house in Denver where we have the good fortune to get everything we need, including silver, linen, servants, etc.

To Hon. F. A. Delano.

Sept. 22, 1916.

Dr. Sewall tells me that I am getting along better than he expected and he seems confident of sending me home next year in good shape.

I am going to Denver day after to-morrow to meet Warburg who will be there for three days, and for one day, I expect Alfred Aiken will join us. Warburg has sent me the manuscript of his KansasCity speech, which is very good indeed, although I think a little long and technical for such a large and miscellaneous audience as he will have to address. It will read better than it will sound. It looks from the attitude of the Chronicle, Congressman Fowler (whose brains went up the chimney long ago and from some press articles on the subject, as though we were in for a real controversy about the note issue. I am laboring over a newspaper article on this subject which Warburg and I will talk over in Denver, and if it sounds all right, I will try to get the Times or some other good New York paper to publish it. The scheme is to have that appear with some others on other features of the Federal Reserve Act.

Incidentally, I am proposing at the proper time to take a crack at Glass, or at any rate, at the Committees of Congress who are suspicious of motives behind the proposed amendments. This is a job that Warburg wished on to me, but will occupy the time out here very well.

On the first of October, Frank Vanderlip and Frank Trumbull are coming up here to make me a visit of a week and you can imagine with what keen pleasure I am looking forward to getting the last news from home from head-quarters.

To Hon. F. A. Delano.

Sept. 22, 1916.

My boys who have been here for some weeks now, return East to college and school on the 30th.

I envy you very much your visit with Charlie Norton. Last Summer I made a short trip to North Haven to see McAdoo and expected to visit Charlie's new place, but did not have time. The surroundings are ideal and I would like to be able to summer up there myself, but it looks as though my Summers for the future would have to be spent in the mountains.

Of course, you and I have a particular attachment for that country since different members of the family at different times seems to have settled all along the Coast. We have records of various members of the family having embarked in seafaring ventures all the way from the Maine coast down to Oyster Bay, Long Island. Some of them were whalers and many of them traders in the West Indies, and among some old family letters there are indications that no small part of their transactions involved handling Jamaica rum and molasses.

Charlie is taking a very sensible view of life and I am glad that he has succeeded in avoiding the infection of the money bug. It does not seem to have taken hold on him at all.

The last part of your letter about the Washington situation interests me tremendously. We are really getting along better with the check clearing matter than superficial indications would justify expecting. It is a tremendous undertaking, both as to clerical labor and readjusting a lot of arrangements that

To Hon. F. A. Delano.

Sept. 22, 1916.

are more habit than anything else. Aiken has done exceedingly well in taking over the Boston Clearing House. If something along that line is not accomplished in New York before I get back, I am very hopeful of being able to bring about the same thing with the New York Clearing House. We really don't need three systems for collecting checks in New York and the Federal Reserve Bank could take over all of that work when our department is in smooth operation and not feel it.

The most serious problem involved, at least for the reserve banks, is the question of our gold reserve. Conditions might arise where we would lose gold at New York in such volume that we would have to stop settling unless the other reserve banks would be satisfied to take direct shipment of silver certificates and U. S. notes. Some way or other, this weakness must be corrected. Some letters are going to Washington on that subject from New York and I hope you have a chance to consider them.

I have had a very deep feeling of sympathy for Warburg this Summer. He seems to have been heckled on every side. The outcome of the fight for rotation struck me as being a complete breakdown, except that it established some particular principle. The natural procedure would have been to appoint you Governor and Warburg Deputy Governor. Why, or how, it was not done really beats me. I did not have the nerve to write you on the subject, but did ask Warburg in a recent letter to tell you for me that if you continued to stand by, as I knew you would, it would encourage all of us and I hope he gave you the message.

begin

To Hon. F. A. Delano.

Sept. 22, 1916.

It really is exceedingly important that the other amendments recommended by the Board should go through at the next session of Congress. Unless there is some objection to my doing so, I have it in mind to occasionally write Glass and Owen about some of these matters and try and give them some good arguments to use if they can do so. I have less confidence, however, about what the next Congress will do than you seem to have.

Unfortunately, our bankers are not educated to the idea of keeping their reserves with the reserve banks. They can be forced to do so by having the reserve banks settle their Clearing House balances for them and that was the scheme we were working on in New York. Vanderlip was rather opposed to it, but I hope to bring him around during his visit out here. In London, where the law has no compulsory features as to reserves, it is customary for the big joint stock banks to informally consult the Bank of England as to the amount of reserve which the Bank of England considers it desirable for them to keep on deposit. They always follow the bank's advice. When Sir Edward Holden bought control of the City Bank so as to give him London clearingsprivileges and a London office, he at once went to the Bank of England, after consolidation with the Midland Bank, and asked the Governor how much balance he should keep. It was a very small bank in those days and he was required to keep £80,000. To-day, the London City and Midland Bank rarely has less than £8,000,000 to £10,000,000 on deposit with the Bank of England, and sometimes much more, but I understand Cunliffe has never suggested any change in the original

To Hon. F. A. Delano.

Sept. 22, 1916.

amount named. Can you imagine an American bank pursuing a policy towards the reserve banks such as indicated by the above? On that basis, the First National Bank would never carry a dollar with us.

Legis
I am terribly discouraged about the English arrangement. It looks as though Lansing were rolling the matter along. If he could only be convinced that it is a matter of serious importance to the banking interests of this country - much more serious, in fact, than it is on the other side - he might be disposed to look at it differently. If you or Harding, or both of you, have opportunity to discuss the matter with the State Department, I hope you can take it up with Frank Polk, as well as with the Secretary. We must some way or other get this concluded, or advise the Bank of England that it must await the conclusion of the war, which would be altogether too bad.

Of course, this has been gall and wormwood to Warburg. I can't help sympathizing with his reluctance to see the arrangement concluded before the war is over. On the other hand, had there been no war, I feel that he would have viewed the arrangement with exultation. It is so distinctly favorable to the Federal Reserve System. On the whole, it may have been wise to take it up with the State Department, but I am sorry that it was thought necessary to do so.

I am glad you had a chance to talk to Charlie about the attitude of the First National Bank. Confidentially, I had a very serious talk with Mr. Baker on the subject about a year ago. In a

To Hon. F. A. Delano.

Sept. 22, 1916.

way, he has been one of my very best friends down town and I know that he told me frankly exactly what was in his mind as to the future. He believes that this administration in the person of the President, the Secretary of the Treasury and the Comptroller of the Currency, have a distinct feeling of antagonism to the New York banks. That the continuance of the administration for another term of four years will be construed by those in authority in Washington as an endorsement by the country of this general attitude towards Wall Street, and that if the Democratic party is reelected, it may make it necessary for some of the big New York banks to take out state charters. Mr. Baker is very slow to make changes, though of course, he may have had a complete change of attitude since I last talked with him, but I realize that in that bank, there is great danger of a revolt, and have done what I could at different times to persuade them to a more friendly view. Mr. Baker has intimated once or twice that any evidence of political management of the Reserve Bank of New York would be justification for New York banks to get out at once, and I think one reason why some of them were willing to wait and see what happened, was their general confidence in our Board and the officers who were selected to run the bank. It would be a terrible blow to have the First National withdraw, and the chances are that they would come to a decision and conclude all of their plans without saying a word about it to any one. It is, therefore, a situation to be watched, and I hope you keep in touch with Charlie, particularly as election approaches, for it seems impossible for me to do so at this distance. I will

To Hon. F. A. Delano.

Sept. 22, 1916.

probably write Mr. Baker immediately after the election and try to draw him out. Please regard the above as quite between ourselves.

Wilson has certainly lost ground by his action in the strike situation, probably losing many more votes than he has gained. Until that episode, I was rather hopeless of any change of administration. He was relying for reelection upon his record of having kept the country out of war and upon recital of the achievements of the party under his leadership. As I wrote Fred Strauss, he has a very strong argument with ignorant people when he recites all the legislation he has forced through, claiming to have redeemed all the party pledges, and people fail to appreciate that they have been redeemed with Chinese money that is not worth ten cents on the dollar.

Just one more word about Warburg: I have not the slightest reason to doubt his loyalty in every way. Men of his race are very strongly swayed by sentiment and influenced by very active imaginations. His sentiment with regard to the war is naturally a difficult obstacle in the way of some of our negotiations and I think he is trying conscientiously to ignore them. On the other hand, I can realize that his imagination opens up a picture of scorn and abuse that may be heaped upon him by relatives, friends and old countrymen, in case it becomes known that we are dealing with the Bank of England, which it will be very difficult for him to face. He probably would find it a cause of reproach in his immediate family. We are all human enough to be influenced by

To Hon. F. A. Delano.

Sept. 22, 1916.

these considerations and they certainly affect him much more than they would a cold-blooded Anglo-Saxon. What Warburg needs is the influence of friendship and encouragement and he will come along in fine shape. He has a very warm regard for you and I believe you have more influence with him than any other member of the Board.

Would you mind asking Warburg for a copy of a letter I wrote Glass about the amendments and let me know if there is anything further I can do in that matter?

I hope that you will return to harness tremendously invigorated by a good vacation, and with lots of good wishes, I am,

Faithfully yours,

Hon. F. A. Delano,
1128 Sixteenth Street,
Washington, D. C.

BS/VCM

44

Estes Park, Colo., July 26, 1916.

Personal.

Hon. F. A. Delano,
% Federal Reserve Board,
Washington, D. C.

My dear Fred:

It was a great pleasure to receive your letter of the 21st. The weather here to me is marvelous - no humidity, generally a very good breeze, almost invariably cool in the shade and the nights cool without exception. I did survive the journey but it took a lot out of me and I had to spend a week or ten days in bed in Denver.

We are very comfortably settled here indeed, having a little 4-room cottage, one room of which I have converted into an office. The hotel stands just about at 7500 feet elevation in a beautiful valley and we are surrounded by mountain peaks that run up to a maximum of 14,258 feet in the case of Long's Peak. It looks as though I would spend the winter here and while it is pretty cold, the climate is moderated a good deal by the surrounding mountains. Besides that it saves a lot of bother in moving.

In regard to the Bank of England arrangement, I am about completing a memorandum which will be first sent to the office and then to the Board. It is not as complete, nor as well prepared as I would like to have it, but a good deal of data bearing on the matter is in New York and not available to me. In time, the question is as you say to get a thorough understanding of the whole situation in the minds of all of your colleagues. The suggestion you make about consulting some of those who have dealt with these matters for some years past has advantages and disadvantages both. All three of the names you mention are well posted and capable of giving excellent advice, but the difficulty is that they are all in one way or another interested, and some of them, if not all, may be influenced by selfish views.

The first name is the head of a firm that conducts the largest dealings in gold of any firm in the country in normal times. The second one for various reasons I would not consider at all and the third one has always impressed me as being bull-headed and narrow. On the whole, if really broad-minded and intelligent opinion is desired by the Board, I would strongly recommend Frank Vanderlip of the City Bank, Fred Kent of the Bankers Trust Co. and Alexander of the Commerce. They are sufficiently familiar with the technical features of this business to be able to give a well considered opinion and they are all of them broad-minded enough to set aside any personal interest or selfish purpose. The man you

name first is undoubtedly the most experienced, but, personally, if I were in New York, I would hesitate to expose my hand to him at the present time.

Another suggestion is that Jack Morgan's opinion should be obtained. You have that already informally, but as he is a member of the Counsel and is probably better posted today on the International situation than any other New York Banker, it seems to me, if outside opinions are to be obtained, his is essential both for valuable information and as a matter of courtesy.

Should it seem desirable to carry out your plan of consulting Blumenthal and you will be good enough to wire me in time, I will communicate with him by telegraph and see if we cannot arrange a meeting either here or in Denver.

If by any chance you can get out here for a little holiday early in August, it would be a great delight to me and we might be able to coax Charley Norton to come too. By that time I will be a good deal stronger and able to join you in a little recreation. If you have never been here, this country is well worth seeing.

With warmest regards to you and to your colleagues,
I am,

Faithfully yours,

Personal.

44

June 23rd, 1916.

My dear Cousin Fred:

I am very grateful to you for your nice letter just received. It is a sad blow to me to have to submit to the absolute dictation of the doctors, but as a matter of fact, they have said positively, "Colorado", and not only Colorado, but Estes Park, on account of the presence there of a particularly competent doctor who is well-known to these chaps here. If I were, for instance, in the Adirondacks, it would make it a good deal easier for us to have some visits now and then. If it is possible to do what you suggest next Fall, you can certainly count on my doing it. It might mean the Adirondacks but so far, of course, I cannot make any plans at all until we see what progress I make in Colorado.

I would have given a good deal to have heard the conversation with the "Boss". Your report is similar to others that I have heard of like meetings.

Warburg has written me about the French bank acceptances, enclosing a copy of the same memorandum which you sent me, and you will receive from him a carbon copy of my reply, which will be dictated to-day. The fact that we hold \$17,000,000 of bills drawn by French banks (and these are not all bills drawn under the Brown credit), simply means, of course, that our rates

*Travel
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the credit*

6/23/16.

have been sufficiently low to enable us to get a large part of the eligible bills in a purely competitive way because these bills have been invariably purchased from brokers. They are all as good as wheat and the line, it seems to me, should be determined by the amount held of each acceptors' obligation and not the amount which happens to be drawn in French or under French credits or under any particular French credit. Will probably see Warburg this week and talk it over with him and I certainly hope to have a chat with you if you are in this neighborhood.

I am planning to leave in a week. Thanking you again very much for your letter and for many other things, I am,

Sincerely yours,

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. C.

BS Jr/VCM

57
FILING DEPT.

MAY 1 1916
FEDERAL RESERVE BANK

May 1st, 1916.

Dear Mr. Delano:

The regular letter in regard to money rates is going to you under separate cover. I thought you would be interested in knowing that during most of last week, the rate on bankers acceptances was somewhat below the rate for stock exchange call loans. It is difficult to say whether this reflects any permanent change of attitude in regard to the availability of that class of paper, but inasmuch as one or two bankers have mentioned it to me, I assume that this availability has had some influence, although possible a small one in the general level of rates.

While the rates in our official memorandum for commercial paper and collateral time loans do not appear to disclose the same situation; I was nevertheless told last week by the president of one of the largest banks in the city that the influence was being felt and that in some cases the highest grades of commercial paper was selling at a slightly lower rate of discount than the highest grade of collateral loans for the same period. This, coupled with the fact that some of the largest private bankers who accept bills are showing a disposition to have their bills qualify by filing figures, would seem to indicate, as some one aptly put it, that "the poison is beginning to work".

May 1, 1916.

To Hon. F. A. Delano.

Figures already filed with us by some of the private bankers indicate the extent to which acceptance credits in sterling are being gradually transferred to acceptance credits in dollars. These tendencies will become more pronounced, I believe, when money rates are firmer.

Very truly yours,

Governor.

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. C.

BS Jr/VCM-5

Personal.

44

April 29th, 1916.

Dear Mr. Deiano:

Mr. Jay has just shown me his letter addressed to you under date of April 5th, with your comments at the foot, in regard to the new form of Comptroller's report of examinations of member banks.

The plan for handling check collections now in course of development will somewhat reduce the importance to Federal Reserve Banks of information of the character heretofore requested. So far as the question of overdrafts is concerned. On the other hand, the same question will arise where banks instead of being permitted to indulge in overdrafts are forced to rediscount.

I very much fear that the Comptroller's attitude will force us to undertake a system of examination of our own which, as you know, I had always hoped to avoid. The really important consideration is to have the Federal Reserve Banks in a position to serve their member banks in an emergency and without the restraint which would be caused by a lack of knowledge of the member bank's affairs and without the delay which would be occasioned by making special request for information from the Comptroller's examiners which would have to be transmitted to us through the Federal Reserve Board and the Comptroller.

April 29, 1916.

To Hon. F. A. Delano.

I want to be on record as stating my conviction that any one who is so short-sighted as to fail to recognize the possibilities of an emergency sometime in the future, growing out of the war, in which the resources of the reserve banks will be required to their utmost to protect the member banks, is distinctly unpatriotic.

Personally, I hope the Board will not modify its insistence one iota and more particularly that the matter may be speedily decided so that we may where we stand.

Very truly yours,

Governor.

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. C.

BS Jr/VCM-

Personal.

44
April 27th, 1916.

Dear Mr. Delano:

I hope you will let me write you personally and frankly about the new collection and clearing circular and not misunderstand what I say.

Mr. Jay has conveyed to you two comments made by our Board at its meeting yesterday, (which, let me say, were developed in a general discussion without any suggestion on my part that the plan was particularly open to criticism on the points mentioned). I want you and your associates to get just the impression that the circular made upon practical bankers who are in close touch with these matters. The following comments, however, are rather personal than official:

1st. The date of June 15th is really much too early and will accomplish nothing except later on lead to possible discussion as to where responsibility for delay rests. It is, I am satisfied, absolutely impossible to arrange all the necessary machinery and get a complete understanding between the twelve banks sufficient to enable us to start the work safely and smoothly by any such date. The reasons for this will be explained later.

2nd. Average Reserves. There will necessarily at the outset be considerable fluctuations in reserve balances, due somewhat to the inability of member banks to time their transactions accurately. Without weakening our position as to penalties, it may be

April 27, 1916.

To Hon. F. A. Delano.

desirable to have it understood among the reserve banks that the system of penalties at the outset will be applied upon the basis of average reserves for a period agreed upon.

3rd. Managers Meeting. It is absolutely essential that the managers of the Transit Departments of all twelve of the reserve banks should hold a meeting and lay out uniform machinery, agree upon schedules of par points and how schedules of time are to be arranged, etc. The successful and economical management of this business will depend very largely upon skillful preparation of forms and employment of the most up-to-date labor saving devices. This will take time, but is nevertheless absolutely essential.

4th. Par List. No transit plan of this character can be started until every member bank is furnished with a par list and every reserve bank and member bank with lists from every other reserve bank. Such lists can only be compiled after correspondence with both member banks and non-member banks and after a full explanation and thorough understanding of the plan has been made throughout each Federal Reserve District. Considering the distances to be covered in some of the larger districts, you will appreciate the impossibility of completing that work by June 15th. Inasmuch as every reserve bank and member bank must know all the par points of every other reserve bank and inasmuch as the plan must be put into operation simultaneously in all districts, you will understand that California, for instance, must complete all of its correspondence with all member and non-member banks in its district and furnish us with the results, and we furnish our members with the San Francisco

April 27th, 1916.

To Hon. F. A. Delano.

results before we can start receiving items from San Francisco member banks. I am not advancing this as an argument for delay, for I am anxious to start promptly as any one, but simply to demonstrate the impossibility of starting as early as suggested.

5th. Non-member Bank Points. To give the plan the best opportunity for success, it seems to me most desirable that sufficient time be allowed to get as many non-member bank points on our list as possible. It will avoid the appearance of a system exclusively for member bank items.

6th. The language of next to the last paragraph of the circular it seems to me implies that member banks will not be allowed to draw until after the date when according to the date schedule the reserve bank will actually have received the avails of collection. This will prove burdensome to the country banks and I suggest changing the language so that it will read "to determine the time at which any item sent to its reserve bank will become available as reserve and to meet any checks drawn."

7th. Penalty. As verbally stated in Washington, I am not a believer in the provisions of the Federal Reserve Act respecting a fine or rate of interest for deficient reserves, but I frankly admit that with this plan, I hardly see what other course could be pursued than to impose penalties. Our difficulty will be to deal with this whole subject fairly. If we grant indulgence to some banks for cause shown, where are we to stop? In order to have fair application, it seems to me the penalty should be invariable and inexorable, or should not apply at all.

April 27th, 1916.

4
To Hon. F. A. Delano.

8th. Clearing House. The New York Clearing House Association has recently established a department for country collections which now has nearly 900 members who remit daily at par. The situation is similar in Boston. If we start a similar service, it will impose upon our member banks the necessity of making up two letters and we must decide whether to act independently of the Clearing House or to endeavor to take over their plant or endeavor to arrange for them to continue their plant and become ourselves a member of the organization. I would appreciate your views as to which course is most desirable. The last named, of course, would be the most economical. As the Clearing House has more non-member banks in its membership than member banks, it would be difficult to arrange a plan by which we could take over their organization.

I believe the plan adopted, with the slight change of language suggested by our Board is the best and most feasible and in the end will prove acceptable to the member banks and you may count upon our co-operation to make it effective in this district.

Very truly yours,

Governor.

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. C.

BS Jr/VCM-1

FEDERAL RESERVE BANK
OF NEW YORK

Sent by W. V. JVO/JM 11:45

(SEND TO FILES)

FILING DEPT.
APR 18 1916
FEDERAL RESERVE BANK

COPY OF TELEGRAM

44

April 15, 1916.

~~F. A. Deland, Esq.,
Vice Governor, Federal Reserve Board,
Washington, D. C.~~

Many thanks for your message am feeling well and looking forward
to seeing you next week

BENJAMIN STRONG, JR.

Charge, Benj. Strong, Jr.
62 Cedar St.

B-5

12. My - 1
Money

FILING DEPT.

DEC 1 - 1915

FEDERAL RESERVE BANK

November 29th, 1915.

Dear Mr. Delano:

Your memorandum on rates enclosed with your letter of the 26th, has been read with much interest.

It seems to me that this is only open to comment in the following particulars, which you doubtless have had in mind in connection with the various operations mentioned.

The mere raising of discount rates, either for rediscount by member banks or for open market operations, would not operate to raise general interest rates except that it resulted in the reserve banks permitting their paper to run off as it matured. In the case of rediscount rates to member banks, it will operate when we have a large volume of rediscounts; such a large volume of rediscounts will only arise in all probability in time of stress, consequently, the raising of our rediscount rate would operate more to check a downward tendency in rates than it would to create a higher level of rates. That would not be the case so much with open market rates. There we can influence rates only when we have a large volume of bills in hand, not by raising our rates for bills, but by simply declining to buy them as offered.

Paragraph (e), it seems to me, is a method which no reserve bank should every employ. All of our bills and investments are of short time maturity and we would naturally avoid the appearance of weakness that would be brought about by actually offering

Nov. 29, 1915.

Hon. F. A. Delano.

our paper for sale. Such a practice would be legitimate for the member banks, but hardly legitimate for us, as I view it.

On the other hand, I do not think that rule should apply to government bonds, or one year government notes provided to be issued in exchange for bonds bearing the circulation privilege. The object of the scheme of exchange of long bonds for short notes was to give the reserve banks an investment, which they could without causing criticism, sell in the market in order to take surplus funds out of the market, and there, it seems to me, would be our chief influence in the direction of raising rates, when the whole system gathers such strength that we will be able to operate on a large scale.

As to Paragraph (f), I must say that I would regret to see the idea gather strength. In past years, the Bank of England has at times borrowed money in the market for the purpose of reducing surplus loanable funds, but the Bank of England is a private institution, it operates with great freedom and, furthermore, its operations have grown out of a long series of precedent and custom with which the English banking community is now thoroughly familiar. Some of these customs, I admit, are rather inconsistent. One of them, however, is that it never pays interest on deposits. If the time ever came when it was necessary for us to operate by the method suggested, I should hope to see it conducted under new powers given to the reserve banks which would enable them actually to borrow money rather than pay interest on their balances, which I would regard as a dangerous precedent to establish and very difficult to control.

Nov. 29, 1915.

To Hon. F. A. Delano.

I am in some doubt as to the soundness of propositions (d). The effect of purchasing government bonds, even though the circulation is not issued against it, would probably be to reduce interest rates, rather than to raise them. The level of interest rates is affected by the extent of the supply and demand in relation to the amount of reserves held by banks. The purchase of government bonds which are paid for with reserve money by the reserve banks, would increase the reserve money in the hands of member banks, although it would reduce the amount of bank notes in circulation ultimately. If the money paid out by the reserve banks were immediately deposited to redeem national bank notes, the result would be one of contraction for the time being until the bank notes were redeemed, and then one of expansion, because reserve money would take the place of money which did not serve as bank reserves.

There are two points not mentioned in your memorandum which are of some importance: The first is in regard to domestic exchanges. If, as I hope will be the case, the reserve banks undertake to handle the collection business of the country on the deferred debit and credit basis, the normal operation of collecting checks will not involve the locking up or releasing of reserves of member banks. In dealing with domestic exchange, however, we would have the power at any time that it seemed advisable to take exchange on the different centers for immediate credit; in other words, we would buy a certain amount of the floating checks that are uncollected, but give reserve money in payment. This will probably be one of the normal operations of the reserve banks in time, and they will

Nov. 29, 1915.

Hon. F. A. Delano.

take exchange on that basis for a consideration represented probably by interest at the discount rate for the number of days represented by the normal transit time. At any time that the reserve banks discontinue that operation, it would be in effect a contraction, as they would call in the money represented by these floating checks. The power of expansion and contraction and the power to raise and lower interest rates by this operation is almost unlimited. It would take years to work it out, but I prophecy that in the future, after our exchanges are scientifically handled, this will be a very considerable influence in money rates.

The other point is in connection with foreign exchange. If you apply exactly the same principle to bills and drafts payable in foreign countries which you do to checks payable in this country, it is easily seen how the operations of the reserve banks will have a considerable influence on money rates.

As a practical matter, I think the most effective operation to lower rates will be that described in (e), and the most effective operation in raising rates will be to let our bills run off. Next to that will be the operations in government bonds and short notes, and ultimately a very effective means of influencing rates will be our operations in domestic and foreign exchange. No effort can be made at the present time, however, nor will we be able to make any, until we have a portfolio full of bills.

I am led to inquire whether you and your associates are interested in the articles appearing in the Commercial and Financial Chronicle on the subject of our note issue. They published one letter which I wrote them on this subject, but still seem determined to

Nov. 29, 1915.

o Hon. F. A. Delano.

conduct a crusade of criticism on that feature of our operations.
Cannot we put all the forces at work to secure such an amendment
to the Federal Reserve Act as will clarify that section of the law
and make it even more effective than it is now?

I was sorry not to have had more of a visit with you last
week.

Very truly yours,

Governor.

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. C.

BS Jr/VCM-9

498
LING DEPT.

PERSONAL

DEC 2 - 1915

FEDERAL RESERVE BANK

December 2nd, 1915.

Dear Mr. Delano:

Your favor of the 1st inst. is received this morning and I am very much interested in your suggestion about the possibility of our making a large transaction in Government bonds.

I think you overlook one thing: The minute a national bank sells bonds which are pledged to secure circulation, it must retire its circulation and the credit which we would give them on our books would naturally be used for that purpose, otherwise, they would be dipping into their cash reserves.

Let me illustrate the operation in a typical case: The First National Bank of New York sells us \$5,000,000 of bonds pledged to secure circulation against delivery to us of the powers of transfer; we credit their account with \$5,000,000. Upon making delivery, they must deposit \$5,000,000 of lawful money with the Sub-treasury to complete the retirement of the \$5,000,000 of circulation, which lawful money they withdraw from us probably by check, which we pay through the Clearing House. So far as we are concerned, we have paid \$5,000,000 of our reserve money for which we receive \$5,000,000 of government bonds. The \$5,000,000 lawful money paid to the First National Bank is credited to the general fund of the United States, and within a period of, say, three months, the greater part of the \$5,000,000 national bank notes will be retired from

Dec. 2, 1915.

To Hon. F. A. Delano.

circulation and the government will have paid out \$5,000,000 of lawful money which counts as reserve in the hands of the banks. This is really an operation of expansion because the national bank notes did not count as reserve, consequently, could not form the basis of expansion of loans and deposits. If it had any effect at all upon money rates, it would tend to ease rates rather than raise them so far as the operations of member banks are concerned.

Had we a large portfolio of paper, however, and were investing in government bonds to an extent which would require us to curtail other lines of investment, we might be obliged to let \$5,000,000 of our paper run off at maturity, which would restore us the \$5,000,000 of money paid the national bank. Not having a portfolio full of paper, the only effect it has upon our operations is to give us an interest earning on \$5,000,000 in place of our cash which we have put into circulation.

In order to get the cash back, we have to put our Federal bank notes into circulation, against which we would receive, of course, in exchange, lawful money or gold. This, I have no doubt could be done, just as we are now issuing Federal reserve notes, and ultimately, our cash position would remain unchanged and we would have the earning power of \$5,000,000 of government bonds. But, of what possible advantage is this, in connection with the present situation, except to increase our earnings? It perpetuates the bond secured circulation which has been the subject of criticism and which, finally, we believe will be eliminated by the operation of the Federal reserve banks. It seems to me that what we should do, and this is what I

Dec. 2, 1915.

To Hon. F. A. Delano,

think this bank will do, is to gradually effect complete retirement of all circulation based upon such government bonds as we buy. Convert the government bonds into short notes to the extent that we want to retain short notes for interest earning and sell the long 3 % bonds which we would get in exchange for the balance. If, as I assume will be the case, we can convert the one year notes at any time into 3 % bonds, we would be in a position to divest ourselves from time to time of all our holdings of government bonds and rely upon our normal operations of discount or open market purchases and note issues to promote the functions for which we are really organized.

As you know, I have always felt opposed to any effort based upon the present desire to make earnings, to perpetuate bond secured circulation, and I have felt sorry that the reserve banks have been urged so strongly to go into the market and buy government bonds in excess of what they are required to buy, which purchases, as I view them, serve no object other than to make earnings.

*Under to peruse
for file*

I enclose a statement showing the holdings of government bonds by New York City banks. Those which are pledged for circulation purposes result in a profit approaching 1 % at the present time. Purchases by Federal reserve banks have advanced the price of 2 s from 98 to 99½. The probable effect of our conducting such operation as you describe will be to mark the price up to par, we would not get very many bonds and to the extent that we did get them, I would personally, feel more disposed to convert them and then sell them while there is a premium on government 3 % bonds, rather than keep them indefinitely, and later face the possible necessity for selling them and then realizing a loss.

Dec. 2, 1915.

To Hon. F. A. Delano.

We all may be mistaken in our judgement of the extent of the strain which will be thrown upon our banking resources at the conclusion of the war. Many people feel that it will be severe, possibly serious, and so long as we are just about earning our expenses, or a trifle less, I feel great assurance that we will be able later on to meet any situation that may arise, to make up all deficient earnings and establish the bank firmly in the confidence of our members.

Please pardon this long answer to your letter.

With reference to the last paragraph of your letter regarding (e), it has once or twice been necessary for the Bank of England under very extraordinary circumstances, to use its port-folio in the manner contemplated by your letter. One occasion, was during the Boer War when the Bank of England borrowed from the Bank of France £5,000,000 sterling. The transaction was very carefully safeguarded at the time, although it later became known. I believe it was the subject of considerable debate and some criticism. Even the great joint stock banks of London never use their credit in this way and I doubt if, since most of them were organized, any such transaction as the one just arranged with New York banks by which they have borrowed upon \$50,000,000 ~~with~~ collateral, would have been entertained by these institutions for a moment. The distinguishing feature between what such an institution as the Bank of England can do, or what we can do, and what is possible to the banks which have not the exclusive power of note issue, is very clear. Lloyds bank can only meet demands upon it by using its reserves, the same is true of the National City Bank;

Dec. 2, 1915.

To Hon. F. A. Delano.

the Bank of England, on the other hand, to a limited extent; the Bank of France to practically an unlimited extent and we, to practically an unlimited extent, can meet unusual demands in emergencies by issues of notes. We do not need to convert our assets when we can use our credit without such conversion. If our credit became so extended as to impair our ratio of reserves, the operation would then consist in letting investments run off as they matured.

I still feel that I would be very sorry indeed to see any of the reserve banks employ the expedient of selling bills, except they were normal rediscount operations between ourselves, which is provided in the statute.

Again, please pardon this long letter.

Very truly yours,

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. C.

BS Jr/VCM

592
~~464~~

FILING DEPT.

DEC 11 1915

PERSONAL.

FEDERAL RESERVE BANK

December 6th, 1915.

Dear Mr. Delano:

12/3/15
Your letter is just received and as I am leaving for Washington this afternoon, we may have opportunity to discuss the bond transaction some time to-morrow. I would like, however, to follow your own lead and "think out aloud", so to speak, as you have done.

Take again the case of the First National Bank which may hold large excess cash reserves in addition to the optional reserve which might be deposited with us: The proposal contained in your letter would likely appeal to them as being a request for them to give us \$5,000,000 of their excess reserve, which money we would use to pay for \$5,000,000 of bonds that we would ask them to sell us, and in addition they would be obliged to take \$5,000,000 of cash out of their reserves for the purpose of retiring their circulation.

This is rather a cold-blooded answer to your question, or might appear to be cold-blooded as an answer to the suggestion we might make to the First National Bank, but I believe it is just about the answer we would get. These men have been trading in money all of their lives, they would realize that we were asking them to give us the money with which to buy their bonds and I cannot help but feel that the proposals are really separate and distinct from each other. The deposit of excess reserves or optional reserves can, in times, be brought

Dec. 6, 1915.

To Hon. F. A. Delano.

about, I believe, when we have been established for some years and have gained the confidence of our member banks to a greater degree, and probably after they have realized a certain sense of dependence upon us in time of emergency, or high rate of interest. The bond proposal, quite distinct from this, is governed by other considerations. With the 2 s selling close to par, is there any further inducement for the national bank to continue the ownership of bonds and to keep their circulation out? At the present time, there is some profit, and the member bank is, therefore, reluctant to let it go during a period of very low interest rates, when the margin of profit on a large percentage of its loans is nil. What will appeal strongly to the bank will be to sell its bonds at a high price, say, close to par later on when money rates are higher and it can employ its credit more profitably than by issuing circulation.

In this matter, as in all our relations to member banks, in the matter of earnings, in the organization of a sound system of examination - the management of the reserve banks to-day will require to exercise the kind of courage which is rarest, and yet most effective, and that is the courage of patience.

I am sure you will not mind my saying frankly that notwithstanding your very persuasive argument, I still believe that our policy should be to conserve our resources and that the policy of the Comptroller should be to discontinue the circulation privilege, if possible, to new national banks and that the policy of the system as a whole, should be to eliminate national bank circulation, either of national banks or of reserve banks and depend for scientific and flexible currency upon issues of Federal reserve notes. This can only

Dec. 6, 1915.

To Hon. F. A. Delano.

be done by having the reserve banks buy government bonds, convert them into 3 s, and then sell the 3 s to investors.

Referring to the last paragraph of your letter in regard to the undesirability of selling bills, will you not ask Mr. Warburg to show you a copy of his letter of October 20th addressed to Sir Felix Schuster and copy of reply dated November 3rd, in which is given a description of the policy of the London joint stock banks and the Bank of England?

With best regards, believe me,

Very truly yours,

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. D.

BS Jr/VCM-

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, VICE-PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

44

VICE	SYMBOL
Day Message	
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 day message. Otherwise its character is indicated by the symbol appearing after the check.

CLASS OF SERVICE	SYMBOL
Day Message	
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 day message. Otherwise its character is indicated by the symbol appearing after the check.

RECEIVED AT

C220B 25

WOODS HOLE MASS 1P 26

V C MCLAREN

1257

FEDERAL RESERVE BANK NEW YORK

TELEGRAM RECEIVED PLEASE PHONE DELANO WILL SPEND TONIGHT AT
COPLEY PLAZA AND MEET HIM MARBLEHEAD AT ABOUT TEN THIRTY WILL GET
ARTICLE MENTIONED IN BOSTON

BENJ STRONG JR.

~~183~~
FEDERAL RESERVE BANK
JUL 5 1916
35

Following received from Delano
Quota due to reach Boston
9⁵⁰ Marblehead says 10³⁰
Unless it is important
to arrive earlier. In which
Event I shall take midnight
for Boston. Please advise.
Have you read the March
letter in Economy world
of July 17th - Bud Gustie I
telephoned him Saturday
be at Marblehead Tuesday
noon.

V.C. McLaren -

44
V. E. McLann

Federal Reserve Bank

New York.

Telegram received. Please
phone Delano will speak
tomorrow at Copley Plaza
and ~~there~~ meet him
Marblehead at ^{about} ~~the~~ ten
thirty. Will get article
mentioned in Boston.

Pls. Strong W

44

June 2nd,
1915.

Dear Mr. Delano:

Please forgive my tardiness in acknowledging receipt of your very kind invitation for dinner at the Metropolitan Club on Tuesday, May 25th, but it came to my attention only to-day.

I regret this delay and wish to express my appreciation of the courtesy extended me.

Sincerely yours,

F. A. Delano, Esq.,
Federal Reserve Board,
Washington, D. C.

44

February 25th, 1915.

Dear Mr. Delano:

Thank you for returning the copy of your address made before the Baltimore Association of Credit Men, which I am glad to be able to keep for my files. I have another copy of the article sent you, and if you care to retain it, I will be glad to have you do so.

Very truly yours,

F. A. Delano, Esq.,
Federal Reserve Board,
Washington, D. C.

BS Jr/VCM

FD 3 DEPT.

FEB 23 1915

FEDERAL RESERVE BANK

February 20th, 1915.

Dear Mr. Delano:

I read the enclosed with a great deal of interest and it's all right. Just the sort of thing that should be put in the minds of a good many people who are interested in the new banking system. What you say on pages 23 and 24 appeals to me particularly. I understand you wanted me to return the copy, which I do herein, and with it am sending you as I promised, copy of what I said to those boys up at Williamstown, and apologize for it being so elementary. Would you mind sending the copy back?

Very truly yours,

Governor.

F. A. Delano, Esq.,
Federal Reserve Board,
Washington, D. C.

BS Jr/VCM-6

February 8th, 1915.

Dear Mr. Delano:

Referring to our telephone conversation, I enclose draft of a clause suggested as a substitute for Paragraph C of Section 2 of the proposed regulation covering the discount or purchase of acceptances.

Your attention is directed to the last paragraph of Section 13 of the Federal Reserve Act which contemplates that the Federal Reserve Board shall make regulations restricting the discount of bills receivable, (notes), and of bills of exchange and acceptances, but no such clause appears in Section 14 of the Act.

To the extent that acceptances and bills of exchange are dealt with under the provisions of Section 14, it seems to me that considerable freedom should be permitted unless it is contemplated that the last paragraph of Section 13 referred to, should also, be made to apply to Section 14.

You will, also, notice that I have omitted the language "and drawn for an amount not exceeding the approximate value of the goods to be transported." As the regulation is drawn, the burden of determining the value of the goods would rest upon the reserve banks and the procedure to obtain this information would be difficult and cumbersome. On the other hand, it is more likely that this admonition will be ignored by the banks and certainly it will not be wise to include a provision in the regulation

To F. A. Delano, Esq.

Feb. 8th, 1915.

which it is anticipated will not be regarded. The purchase of acceptances is based upon the credit of the acceptor, and I hope the Board will be willing to omit this limitation which it seems to me is not a practicable one.

Your attention is, also, directed to Paragraph D of Section 2 of the regulation which would preclude the purchase of bills of exchange and acceptances growing out of commerce between the United States and its dependencies, that is, Porto Rico, Hawaii and the Philippines. If the phraseology of paragraph 99 of the Act reading "based on the importation and exportation of goods" can be construed to include commerce between the United States and these dependencies, it might be desirable to make clear in this regulation that bills growing out of imports and exports of that character might be purchased by the Federal Reserve Banks.

Mr. Curtis calls my attention to the fact that the Supreme Court of the United States has rendered a number of decisions known as the "Insular Cases", reported in volumes 182 and 183 of the Supreme Court reports, which can probably be taken to indicate that commerce between the United States and its insular possessions may be construed as imports and exports. Inasmuch as the words "importation" and "exportation" are used in the Federal Reserve Act, this might afford ground for the inclusion of bills growing out of such commerce within the ^{scope} ~~by-laws~~ of the proposed regulation.

Your attention is also directed to Paragraph F of Section 2, which it seems to me does not make entirely clear what kind of bill is referred to. Ordinarily, a documentary bill when presented to the drawee is accepted and handed back to the party presenting it, minus the documents which originally accompanied the bill, and the acceptance of the banker or of the drawee is substituted for the specific bills of lading or other collateral. Without

To F. A. Delano, Esq.

Feb. 8th, 1915.

getting a legal opinion on the point, it seems to me possible to construe the clause so that the acceptance, minus the documents, would no longer be secured by the lien or transfer of title, thereby subjecting it automatically to the limitations of paragraph G. Might it not be possible to change that paragraph so as to read as follows: "A bill of exchange may be considered as drawn in good faith against 'actually existing values' as under 1 (c) hereof, when it is secured by a lien on or by transfer of title to the goods to be transported or when the character of the bill indicates that the document representing such lien or title, originally accompanied the bill prior to acceptance."

In conclusion, permit me to repeat briefly one portion of the statement which I made to the Board Friday afternoon. Our merchants and manufacturers are now conducting a perfectly lawful trade with foreign customers. A very considerable part of that trade may be with belligerent nations and may consist of articles which are contraband or conditional contraband of war. Commerce of that character is authorized by our own laws and by international law and convention. It seems to me that any different rule applied to the credits which are extended for the purpose of conduct of that commerce should be adopted with great caution and the objection which I made to the proposed regulation was based upon my belief, first, that the same rule of neutrality should apply to ^{the} credit as does apply to the commercial transaction; second, that any policy to be adopted by our government in regard to this matter should not be made the subject of regulation by the Federal Reserve Board, but should be determined by the President of the United States.

To F. A. Delano.

Feb. 8th, 1915.

Of course, it goes without saying, as I stated in Washington, that this bank will observe whatever rules are adopted by our government in this matter.

Very truly yours,

Governor.

F. A. Delano, Esq.,
Federal Reserve Board,
Washington, D. C.

BSJR/vcm

January 15th, 1915.

My dear Mr. Delano:

Perhaps the explanation of longer steps by the tribe of Benjamin than by the tribe of Ebenezer is simply that they have longer legs.

While you have the advantage over me in two generations of additional experience, possibly I may claim from you that respect demanded by old New England tradition of the younger to the older.

The last paragraph of your letter has caused me much reflection. The next time we meet let us endeavor to discover whether you have been adopted into the councils of the Money Trust, or whether I have been adopted into the political family which is honored by your participation.

As one of my seven bosses, I have heretofore been inclined to accord you a certain amount of respect, which is not a habit in our family in dealing with cousins or other relatives. Hereafter, you may expect nothing of the sort. I may even conclude on account of the advantage in generation I have over you, to call you Fred or any other old thing! At any rate, success to the Stronga in starting a new banking system.

Sincerely yours,

Hon. F. A. Delano,
Federal Reserve Board,
Washington, D. C.

BSJr/VCM

January 13th, 1915.

My dear Mr. Delano:

The enclosed memorandum taken from the book of the Strong family, indicates that your descent is from the fifth son of Elder John Strong, that is to say, Elder Ebenezer Strong and our branch of the family extended from the second son of Thomas Strong. It is, however, a good New England blood relationship, I am glad to say.

Very truly yours,

Fred. A. Delano, Esq.,
Federal Reserve Board,
Washington, D. C.

BSJr/VCH

The Shoreham Hotel,

Washington, D.C.,
January 14, 1915.

R.A. Fr.
JAN 15 1915

My dear Mr. Strong:

Greetings: I am indeed glad to greet you as a kinsman. However, there is one thing I notice about the "Tribe of Benjamin", as distinguished from the "Tribe of Ebenezer", namely that they seem to take longer steps. At any rate, according to your genealogy, you are the fifth in direct descent from the original John Strong; whereas, I seem to be the seventh. This in spite of the fact that I was the tenth child of my parents. Even on this basis, as I figure it out, I am your fourth cousin, twice removed. But "removed" does not count for much when there is five-hour train service between New York and Washington.

I reflect that if this were discovered, it would be concrete evidence of connivance with the "Money Trust."

Greetings.

Yours very truly,

Mr. Benj. Strong,
62 Cedar Street,
New York City.

R.A. Fr.

*7-11-15
B. J. - Personal*

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FEB 25 1915 9 03 AM
FEDERAL RESERVE BANK
OF NEW YORK

THE FEDERAL RESERVE ACT

And

THE PLACE IT IS TO OCCUPY IN AMERICAN FINANCE.

A N A D D R E S S

Before

THE BALTIMORE ASSOCIATION OF CREDIT MEN

Baltimore, Md.

By FREDERIC A. DELANO,

February 16, 1915.

THE FEDERAL RESERVE ACT
AND
THE PLACE IT IS TO OCCUPY IN AMERICAN FINANCE

In addressing you on the subject of "The Federal Reserve Act and the Place it is to Occupy in American Finance", I shall avoid as far as possible the use of technical banking phrases. My approach to the whole subject is that of the business man, or bank customer, rather than that of the banker, and I assume that in inviting me to address you, your object has been to hear the point of view of the business man rather than that of the banker.

The title of the Federal Reserve Act, passed December 23, 1913, states its purposes as follows:

"An Act to provide for the establishment of Federal Reserve Banks, to furnish an elastic currency, to afford means for rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes."

However, in order to understand the place which the Federal Reserve Bank System is destined to occupy in the life of the nation, one must review, at least cursorily, the provisions of the system under which the National Banks have operated for fifty years and appreciate the fact that, in the new Act, Congress sought to correct and supplement an existing system with which nearly two generations of our people have become familiar, rather than to supplant it with an entirely new system, built upon a new foundation. Furthermore, it is important to bear in mind that two-thirds of the banking of the country is done by banks and trust companies chartered by the various states, under laws differing rather widely and in some

cases under charters much less strict than the Federal law. This feature becomes of great importance when it is considered that the ultimate banking reserves of the country are the reserves of the National Banks.

Reserve Requirements

It is an elementary, but important, fact that the whole theory of banking is based on the principle of averages derived from the results of experience. Banks represent, roughly, two classes of customers - depositors and borrowers. If a bank had to keep in its vaults cash subject to instant demand by all its depositors, no bank could live except by borrowing from its neighbor-banks; and if the demand were simultaneous the entire banking system would break down, because there is not sufficient currency to meet the demand. Banking, therefore, depends upon the hypothesis that a large proportion of the funds of depositors will not be called upon simultaneously; that somewhere between 10% and 25% must be kept on hand and on the premises, and that the remainder can be actively employed at interest - that is, earning something; otherwise a

bank could not earn its rent, salaries, and cost of operation, to say nothing of a return on the capital invested by its promoters.* This 10 to 25% which experience has found must be retained in hand is called a Reserve. but the term has been more or less misused and misunderstood. We might assume, for example, that 10% were the minimum percentage of cash which had to be kept in vault and that 25% were the amount which, including this irreducible minimum was required for emergencies. This is equivalent to saying that 10% was the minimum requirement of normal conditions and that the 15% additional was reserves. Under the Banking Law of

(*) It is proper to explain that while a bank begins doing business by lending its capital and a share of its deposits, each loan that is made goes to swell the deposits because the loan when made is not usually paid out in cash, but is put as a deposit credited to the borrower and subject, like any other deposit, to check by the borrower who has thereby become a depositor. The relationship of deposits to loans and to currency are well illustrated by the aggregate figures taken from the statement of the Comptroller of the Currency for June 30th, 1914, as follows: (The report includes all National Banks and 95% or more of the State Banks and trust companies).

Gross deposits of individuals and corporations in National Banks, State Banks and Trust Companies:	\$18,517,732,879
Gross loans and discounts by Nat'l Banks, State Banks and Trust Companies:	\$15,288,357,284
Total U. S. Currency outstanding same	\$3,402,015,427

1864, reserves varying from 15% to 25% were stipulated, but unfortunately that law, (which permitted Reserve Cities to deposit half their reserves in Central Reserve Cities, and country banks, three-fifths of their reserves in Reserve Cities) permitted a great duplication of reserves without any elasticity. A demand for currency attending a panic or loss of confidence on the part of the public invariably found the banks carrying the minimum reserves authorized under the law, and it would at once develop that these so-called reserves were not, in truth, reserves - they might more truly be called minimum requirements, not reserve funds, available to overcome a period of stress.

An Elastic Currency.

This subject of reserves thus became one of paramount importance, and it was recognized by many that a correct solution was of immense importance to the country's development. For twenty years bankers, business men and economists have interested themselves in the problem of working out a remedy. The fact that other countries were able to adjust their banking

and currency methods to the ebb and flow of business, or even to survive considerable recessions without complete stagnation or panic was constantly referred to. After much discussion it became apparent that this question of reserves was closely associated with that of a suitable currency; that one of the phenomena attending every panic or business disturbance was a demand for currency which, if not satisfied, invariably led to the hoarding of metallic money. It was pointed out that in this respect the currency system of the United States, under the National Banking Act of 1863, was peculiarly rigid and inelastic - far more so than it had been under earlier banking acts or under the central bank systems common in Europe.

The currency provision of the law of 1863 was based on the idea of compelling National Banks to purchase United States Government Bonds and using those bonds as collateral security for National Bank currency. As a plan to create a market for Government bonds of which there were some three billions outstanding at the close of the Civil War (three times as many as now)

the Act was a great success. Under its provisions bonds which sold on a basis of more than 7% reached a basis of less than 2%. Nobody could complain that this form of currency was not safe. The complaint came only from the economists and students of the problem, that it was incapable of expansion and contraction with the demands of business. If the amount were increased to take care of maximum requirements, there was no ready means, in periods of slack business, of contracting the amount of currency in circulation except by the clumsy method of returning the currency, redeeming the deposited bonds and converting these into cash again, a manifest impossibility on any large scale, because United States bonds soon had acquired a market price by reason of their circulation privilege, far above their investment value. Our own experience in this country before the Civil War, as well as that of European nations, pointed out a remedy in basing the currency, not on long time securities like Government bonds, but on short time loans of merchants, manufacturers, and agricultural producers, based upon

and representing actual purchase and sale of raw material, produce or commodities, or of manufactured or partly manufactured products. The great advantage of such loans lay in the fact that they were self-liquidating, that they represented largely food or other products classed as necessities of life, that the paper was of short time maturity, that in the nature of the case, currency based on such loans would increase or decrease in volume directly with the enlargement or diminution of trade requirements, population, etc. In order to leave undisturbed the existing currency, with which every one was familiar, Congress provided that the present Bond-secured currency should remain practically intact or subject only to gradual replacement through a period of twenty years with a new bond-secured currency of the Federal Reserve Banks. This means that the notes of twelve Federal Reserve Banks will gradually displace the notes of 7,600 National Banks. In addition to this currency, plus the gold and gold certificates; silver and silver certificates and greenbacks, already

in existence and which I have enumerated in table A; there was created by the Federal Reserve Act a new form of currency, known as Federal reserve notes.

Table "A"

In Circulation, February 1, 1915.

Gold Coin (including bullion in Treasury)	\$623,050,364
Gold Certificates - - - - -	958,448,039
Standard Silver Dollars - - - - -	67,621,922
Silver Certificates - - - - -	452,613,274
Subsidiary Silver - - - - -	160,334,776
Treasury Notes of 1890 - - - - -	2,321,968
United States Notes - - - - -	319,711,226
National Bank Notes - - - - -	<u>879,497,881</u>
Total - - - - -	-\$3,463,599,450

N.B. This table does not include any gold which is back of gold certificates, or silver back of silver certificates. In other words, there is no duplication in this statement.

These notes, issued in five denominations (\$5, \$10, \$20, \$50, \$100) represent the elastic currency of the country. In other words, the previously issued currency already mentioned, amounting in total on February 1, 1915, to

\$3,463,599,450, will easily take care of average requirements, while the new currency provides an elastic, supplementary currency. The plan devised and finally adopted by Congress not only meets the requirements of an elastic currency, but meets most ingeniously the difficulty in respect to reserves to which I have already referred. Depending somewhat on the diversity of business or the dependence of a community upon a single crop, there is to some extent a seasonal ebb and flow in the demands of every community, exhibiting itself in an increased or diminished demand for currency and banking credit.

The Act provides for substantial reduction of reserves by country banks, Reserve City banks and Central Reserve City Banks (as shown in table B), but at the same time allows no duplication in its determination: a circumstance which, in the past, has led to a much unsettlement and lack of confidence as to the ultimate security of the banks.

Table "B"

	Percentage of deposits required as reserves under the old law.	Percentage of active or demand deposits required as reserves under new law at end of three years.	Percentage of time deposits or savings deposits under the new law.
Three Central Reserve Cities	25%	18%	5%
Forty-nine Reserve Cities	25% of which one-half could be kept in a Central Reserve City.	15%	5%
Country Banks	15% of which three-fifths could be kept in a Reserve City	12%	5%

The Act further provides that at the end of a period of three years, the percentages of total demand deposits required by the twelve Federal Reserve Banks from member banks in Central Reserve and Reserve Cities and in the country, respectively, shall be 7%, 6% and 5%, and at the option of member banks these deposits may be increased to 12%, 10% and 8% respectively. These reserves, instead of being held in vault as fixed cash reserves, subject to call on demand, are made the basis for issuance of the new Federal Reserve currency.

At first blush this might seem an indiscreet use to make of reserves; it might indeed strike one as a wild project of pyramiding on assets, but a study of the Act will satisfy the student that, if the Federal Reserve Board does its duty, these reserves can be used expansively as suggested, yet be absolutely safe. At this writing with only two installments of the capital stock paid in and with only one-third of the total reserves in the hands of the twelve District Reserve Banks the total cash reserves in their hands aggregate \$281,373,000. The law requires a cash reserve against deposits of member banks of 35%; this requires, then, an aggregate cash reserve of \$99,749,000.

In respect to the issuance of currency, the law requires, first that each of these twelve reserve banks, (except for supervision by the Federal Reserve Board) shall be autonomous, self-contained and independent; that it may issue currency against approved "commercial paper" or "acceptances" *when indorsed by member banks, dollar for dollar, provided it shall deposit as additional protection and reserve against such notes not less than 40% of gold. From this it will be seen that, after deducting \$99,749,000 from the aggregate cash resources of the Federal Reserve Banks as a reserve against member bank deposits, there remains \$181,624,000 which would sustain a total reserve note currency of \$454,060,000, and, obviously, this will increase to something like three-fold this figure when all the reserves shall have been paid in; and still further increased if government

(*) By "acceptances" are meant "drafts" or "bills of exchange" drawn upon a purchaser of goods to be delivered, growing out of export or import and accepted by the buyer or by a banker or accepting house, acting on behalf of the buyer.

deposits are made in the Federal Reserve Banks, or if, as is to be hoped, State banks in large numbers enter the system.

Operations of the Reserve Banks in Ordinary Times

It might be assumed from what has been said that these twelve Federal Reserve Banks exist solely to take care of unusual, spasmodic, or seasonal demands of business or else those excessive demands which periodically come upon us at greater intervals of time. That alone might well be called a worthy object to attain, but it would have to be admitted that a ponderous and costly machine had been created to serve an occasional demand; and it might be doubted whether a machine thus kept in comparative idleness through two-thirds of the year would operate smoothly and successfully when the steam was turned on. But the framers of the Act had no such idea. They meant that these district banks should be active undertakings and, among other requirements, imposed upon them the duty of earning for their stockholders (the member banks, aggregating to begin with 7,600) not only operating

expenses and all costs by the Government for engraving and printing of notes, the salaries and expenses of the Federal Reserve Board and its staff of employees but, in addition, 6% on the investment by the banks. In order to enable the twelve reserve banks to employ their funds profitably in the dull seasons (the seasons of liquidation) and recognizing that in such seasons the member banks would not bring commercial paper to the reserve banks for rediscount and the issuance of currency, for the obvious reason that in those seasons the member banks themselves would have ample loanable funds, Congress provided for the purchase and sale of certain readily marketable investments, for example, Government bonds, tax warrants of states, municipalities, etc., acceptances, e. g., drafts or bills of exchange, the payment of which has been guaranteed or promised at maturity and other similar documents. Investments of this kind which must be made under restrictions of the Federal Reserve Board are, with the exception of Government bonds, all short time paper, the idea being that they shall mature in advance of

the active requirement of funds for crop moving, etc. It is impossible to foretell just what experience will develop, but it is probable that the rediscounting of commercial paper and the issue of Federal reserve notes therefor will reach normally a minimum in the months of January to March, inclusive; that thereafter it will gradually rise to a maximum requirement in the autumn and from that maximum recede again to the low point after Christmas. However, it is to be expected that the demands in the various districts, with a diversity of harvesting seasons will develop a condition where there may be a scarcity of funds in one region and a surplus in another. With this possibility in view, the Act provides that the Reserve Bank of one district may rediscount for that of another district.

From the foregoing it may be seen that, while the Federal Reserve Act provides a valuable "shock absorber"; it is far more than an inert piece of machinery which comes into action simply in an emergency. It might more truly be likened to an extra unit in a large power

station, revolving at all times on, say half load, yet capable of taking on a full load at any time or, for short periods, even a considerable overload.

In much that has been said and written, however, it is evident that in some particulars the true functions of the Federal Reserve Banks have been misunderstood. These great District Banks, each representing a large and important territory, important though they be as the central banks of their districts, are not in any sense wholesalers of money to their member banks who, in turn, dispense or retail it at a profit to their customers. These central banks, with whom the public is not directly permitted to deal, are in a sense "banks of banks" as has been frequently said, but their gross assets really bear only a small ratio to that of the aggregate of the stockholding banks, and, while their powers and influence are very great, their actual currency issuing power will represent, after all the reserves have been paid in, only some 12% to 15% of total loanable funds of banks in the country, National and State. (See foot note) .

Foot note for Page 17.

Stated in round figures, after deducting the reserves required against deposits, there remains \$181,600,000 of gold on hand, which will sustain an issuance of four hundred fifty-four millions of Federal Reserve Notes. As already shown, this will be increased in three years to, say 700 millions, which is 4-1/2 per cent of the total loans and discounts of the State and National banks of the country on June 30th, 1914. This will be increased, as already explained, as State banks enter the System and as Government deposits are added.

What the Reserve Banks have Accomplished.

The benefits of the Reserve Act as thus far developed are evidenced more by the indirect benefits derived than by the actual transactions of the Reserve Banks themselves. For example, there was released on the 16th of November, when the banks were declared opened by the Secretary of the Treasury, something like 450 millions of dollars (the exact amount has not been determined on account of the difficulty of computation by reason of the duplications in previous methods of calculation.) This large fund was released to meet the demands of business; its immediate effect was a reduction in all interest rates in every district. The emergency currency issued to meet the panic conditions brought on by the European war was rapidly retired so that, from a maximum issue of \$385,216,655, this emergency currency outstanding has been reduced (at the close of business on the 13th day of February) to \$44,205,802, and this is in spite of the fact that a large area of our country has suffered from a most serious setback, due to the unexpected and sudden reduction in the demand for their chief staple product - cotton. As a

precautionary measure, and on the advice of bankers quite generally, three years are provided in which to develop the Reserve Banks to their full power. Whether or not this was an unnecessary length of time is a debatable subject, but one thing is already evident and that is that the country is now demanding results as if three months instead of three years had been named.

OTHER IMPORTANT FUNCTIONS OF THE BANK.

Before closing this paper it is proper to discuss briefly some of the other functions of these Reserve Banks. These lie chiefly in two directions; first, as Government depositaries and fiscal agents; second, as clearing houses for checks drawn within their districts or, on such plan as the Reserve Board may approve, between districts.

The Act does not abolish the sub-treasuries, but at the same time authorizes the Secretary of the Treasury to deposit and the Reserve Banks to receive, Government monies and to act as fiscal agents of the Government.

It is for this reason chiefly that the Secretary of the Treasury is made ex-officio member of the Federal Reserve Board

and its Chairman, while the Comptroller of the Currency is also made an ex-officio member; thus giving the Government a minimum representation on the Board of two out of seven members. The framers of the Act argued the propriety of this representation, in spite of the fact that the capital investment was made solely by the subscribing banks, not in order to give the Federal Reserve Board a political (i.e. partisan) complexion, but on the ground that as the Government was to be a large depositor, it should have an influential voice in the general supervision.

The argument in favor of the Government thus using the Federal Reserve Banks is strong; first, the general reason that the money of the people (the tax payers) is retained where it will be most affective in promoting trade and commerce; second, that it is safe, because the integrity of the twelve reserve banks is assured by the guarantee, individual and collective, of all the member banks; lastly, that the function of fiscal or disbursing agent for all Government drafts or checks, aggregating in round figures more than a

million dollars per day, can be performed effectively by these banks and doubtless at a saving to the Treasury (even after allowing for the interest paid by National banks on Government deposits) compared with the costly and necessarily cumbersome methods of remitting from the Treasury or sub-treasury to pay checks drawn on the Treasurer of the United States.

The second important function of the Reserve Bank outside of the chief functions for which it was created, is that of its place as a collecting agency or clearing house for checks of its respective district. All important cities of the country have had their clearing houses for checks of National and State banks in the community. These clearing houses, formed for mutual convenience by voluntary action of their component banks, have developed important functions quite outside of those originally contemplated. Among these may be mentioned a system of self-examination more rigid and thorough than that previously maintained by the Government; agreed rules for charges for collections on out of town checks, and, in times of panic, such as 1907 and 1914, the rediscount of paper and securities of its

members, issuing against these, clearing house certificates, which have been used not only in transactions between banks but in some cases even in public transactions.

There is little doubt that this development of the clearing houses, adjusting themselves as they have, through many years of experience, to the demands of business, provided a valuable and effective suggestion to the framers of the Federal Reserve Law. So it is not to be wondered at that the Federal Reserve Act, in adopting the emergency function of the clearing houses in the rediscount of member banks' paper, saw the desirability of adopting, at the same time, the chief feature of these clearing houses; namely, the check clearing idea. And so, in fact, the Act did embody, not in the most lucid terms, but certainly by intent, a complete system of clearings within and finally between the districts, subject to the rules to be framed by the Reserve Board, and, at the same time, authorized the Reserve Board, in co-operation with the Comptroller of the Currency, to raise the

standard of the examination system co-ordinate with the examination by the Federal Reserve Banks and by the Federal Reserve Board.

Conclusion.

And thus briefly I have endeavored to lay before you in simple phraseology the salient features of the Federal Reserve Act and the place it is likely to take in the financial structure of our country and of our business life.

The reason the Federal Bank System is great, is that it has been evolved by the patient study and adaptation of our own best banking experience, the experience of Europe, the clearing house certificate plan, all ingeniously engrafted upon an existing National Banking and Currency System with which the country was familiar. The result is a system, far better suited to American needs and American methods and prejudices than a central bank or a branch bank system.

We have created under this Act twelve central banks, each as nearly as possible autonomous, but each

under central supervision of the Federal Reserve Board, on matters of joint and common interest. If the plan works out in practice as well as it should; if the Federal Reserve Board does its full duty ; if petty or partisan politics are laid aside, we shall have reached one ideal of scientific management ,: - "local self-government and centralized supervision"; we shall have accomplished the object of all good organization ; - local incentive and enthusiasm with only enough centralized supervision to compare results ; to measure men, methods and costs; and to ensure the necessary co-operation on all matters where joint co-operation is necessary, either for the good of the country or of the banks themselves.

The President has drawn the apt parallel of the relations of the various Reserve Banks to the Central authority (The Federal Reserve Board) and the relation of the various states to the Federal Government.

As a servant of the public, one of those employed to administer the law, it is to be expected that I should be enthusiastic as to its possibilities. At the same time, not having been a banker, my views as

to what this Act really does mean to the public may be questioned. I will, therefore, close my remarks by quoting from the recent paper of Vice-President Herbert R. Eldridge, of the National City Bank of New York, so that you may know what a practical banker of large and varied experience has to say:

"The Federal Reserve Act marks the greatest step forward this country has ever made in its financial advancement. While it leaves much to be desired, and will undoubtedly be subjected to several revisions, it remains the greatest constructive measure Congress has given us in many, many years."

The wonder is not that there are some imperfections in the Act, but that out of the great melting pot of conflicting opinions a problem so difficult and so technical should have been successfully worked out.

FEDERAL RESERVE BOARD
WASHINGTON

B. A. Fr.
FEB 25 1915

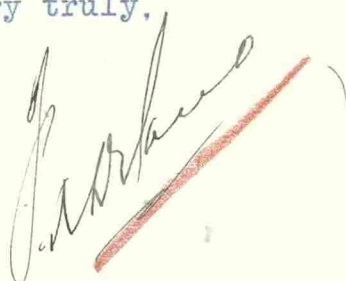
February 24th, 1915.

My dear Mr. Strong:

On my return from a short outing, I find your letter of February 20th and I am glad to know you approve of my remarks before the Baltimore Association of Credit Men. It was my intention that you should keep this speech and, assuming that you may like to have it, I now return it to you.

I shall be very much interested in reading your remarks at Williamstown and, as soon as I get the opportunity to do so, I shall return the papers to you.

Yours very truly,



Mr. Benj. Strong, Jr.,
Governor, Federal Reserve Bank,
New York City.

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FEDERAL RESERVE BANK
OF NEW YORK

Federal Reserve Bank

ST. LOUIS, MO.

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FEDERAL RESERVE BOARD

WASHINGTON

JUL - 2 1915

FEDERAL RESERVE BANK

June 5, 1915.

175 280
R. A. Fr.
JUN 30 1915

CONFIDENTIAL

My dear Mr. Strong :

One of the subjects which has been suggested for the consideration of the Governors at their prospective meeting is the matter of the Federal Reserve Banks acting as Fiscal Agents. I have had several talks with Assistant Secretary Malburn about this matter and Mr. Broughton, of Mr. Malburn's staff, has written a report, copy of which I enclose and which I should like to have you treat as confidential.

The Secretary of the Treasury, although he has never said in so many words, is, I believe very friendly to the Subtreasury system and I imagine he thinks it would be a mistake to get rid of it. If we could persuade him that the Federal Reserve Banks, acting as Fiscal Agents in connection with the Central Clearing Fund, will relieve the Government of a very considerable burden and will still give to the Subtreasury the duty of looking after the Issue and Redemption of various forms of currency, I think he would be willing to take the first step.

In the long run, I think the Subtreasury system will have to give way and all of its functions be taken over

by the Federal Reserve Banks, but we need not consider
the second or third steps until we have taken the first.

Yours very truly,

F. A. Delano

DICTATED BY MR. DELANO

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

Enclosure

Confidential

FEDERAL RESERVE BOARD

WASHINGTON

44
July 22 - 1910

My dear Mr Strong

I am starting on
my vacation on Saturday
the 31st and before I go
I would like very much to
have a talk with Mr Mor-
gan in regard to foreign
credits - I see no ob-
jection to your being pres-
ent, but there may be
some reasons against
it which would deter you

I do not want to go
away for several weeks
without having a better
idea of the situation
toward which we are
drifting - You know
my sympathies and my
object is simply to inform
myself as an individual
member of this Board - I
do not want to embarrass
Mr Morgan and I am sure
he can trust me to be dis-
creet with any information
he may give me -

I do not think anyone

here appreciates the gravity
of the situation - and un-
fortunately for the Country
the sympathies of one of our
colleagues makes it impos-
sible to confide in him.

If you could make
me an appointment for
Monday (preferably) either
morning or afternoon I
should like it very much.
No one here knows of
this and I would handle
it as quietly as possible.

Sincerely yours

Prescott

FEDERAL RESERVE BOARD
WASHINGTON

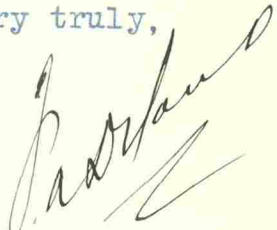
May 22nd, 1915.

Handwritten: R. H. V.
JUN - 2 1915

My dear Mr. Strong:

I am giving a dinner at the Metropolitan Club at 8:00 P.M. on Tuesday, May twenty-fifth, to a number of delegates to the Pan-American Conference. It would give me great pleasure if you could be present and help me in the duty of entertaining them.

Yours very truly,



Mr. Benj. Strong, Jr.,
Gov'r., Federal Reserve Bank,
New York.

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT.

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Benj Strong Jr,

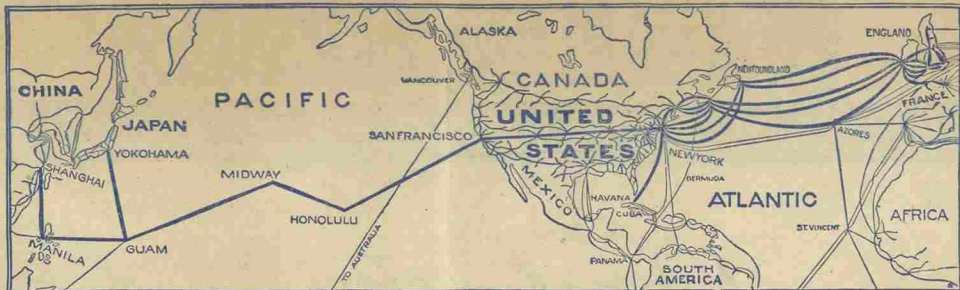
Copley Plaza Hotel Boston Mass.

I shall get off at Huntington Ave Station
nine fifty to-morrow morning and take
Taxi to North Station you might find it
convenient to meet me there.

Delano.

3.30 P.M.

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1. The Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any UNREPEATED telegram, beyond the amount received for sending the same; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any REPEATED telegram, beyond fifty times the sum received for sending the same, UNLESS SPECIALLY VALUED; nor in any case for delays arising from unavoidable interruption in the working of its lines; NOR FOR ERRORS IN CIPHER OR OBSCURE TELEGRAMS.
2. In any event the Company shall not be liable for damages for any mistakes or delays in the transmission or delivery, or for the non-delivery of this telegram, whether caused by the negligence of its servants or otherwise, beyond fifty times the REPEATED telegram rate, at which amount this telegram, if sent as a REPEATED telegram, is hereby valued, unless a greater value is stated in writing hereon at the time the telegram is offered to the Company for transmission, and an additional sum paid or agreed to be paid based on such value equal to one-tenth of one per cent, thereof.
3. The Company is hereby made the agent of the sender, without liability, to forward this telegram over the lines of any other Company when necessary to reach its destination.
4. Messages will be delivered free within the established free delivery limits of the terminal office. For delivery at a greater distance a special charge will be made to cover the cost of such delivery.
5. No responsibility regarding messages attaches to this Company until the same are presented and accepted at one of its transmitting offices; and, if any message is sent to such office by one of this Company's messengers, he acts as the agent of the sender for the purpose of delivering the message and any notice or instructions regarding it to the Company's agent in its said office.
6. The Company shall not be liable for damages or statutory penalties in any case where the claim is not presented in writing within sixty days after the telegram is filed with the Company for transmission.
7. The above terms and conditions shall be binding upon the receiver as well as the sender of this telegram.
8. NO EMPLOYEE OF THIS COMPANY IS AUTHORIZED TO VARY THE FOREGOING.

CLARENCE H. MACKAY, PRESIDENT.

EDWARD REYNOLDS, VICE-PREST. AND GENERAL MANAGER.

CHARLES P. BRUCH, VICE-PRESIDENT.

WESTERN UNION TELEGRAM

Form 260

44
Personal

GEORGE W. E. ATKINS, VICE-PRESIDENT

NEWCOMB CARLTON, PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

RECEIVER'S No.	TIME FILED	CHECK
----------------	------------	-------

SEND the following Telegram, subject to the terms on back hereof, which are hereby agreed to

New York, July 26, 1915.

Benjamin Strong, Jr.,
Care Benjamin Strong,
Wood's Hole, Mass.

Following received from Delano: Quote. Due to reach Boston nine-fifty
Marblehead say ten-thirty unless it is important to arrive earlier in
which event I shall take midnight for Boston. Please advise. Have you
read the Marsh letter in Economic World of July seventeenth. End Quote.
I telephoned him Saturday be at Marblehead Tuesday noon.

V. C. McLaren.

ALL TELEGRAMS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS

To guard against mistakes or delays, the sender of a telegram should order it REPEATED, that is, telegraphed back to the originating office for comparison. For this, one-half the un-repeated telegram rate is charged in addition. Unless otherwise indicated on its face, THIS IS AN UNREPEATED TELEGRAM AND PAID FOR AS SUCH, in consideration whereof it is agreed between the sender of the telegram and this Company as follows:

1. The Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any UNREPEATED telegram, beyond the amount received for sending the same; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any REPEATED telegram, beyond fifty times the sum received for sending the same, *unless specially valued*; nor in any case for delays arising from unavoidable interruption in the working of its lines; *nor for errors in cipher or obscure telegrams.*

2. In any event the Company shall not be liable for damages for any mistakes or delays in the transmission or delivery, or for the non-delivery, of this telegram, whether caused by the negligence of its servants or otherwise, beyond the sum of FIFTY DOLLARS, at which amount this telegram is hereby valued, unless a greater value is stated in writing hereon at the time the telegram is offered to the Company for transmission, and an additional sum paid or agreed to be paid based on such value equal to one-tenth of one per cent. thereof.

3. The Company is hereby made the agent of the sender, without liability, to forward this telegram over the lines of any other Company when necessary to reach its destination.

4. Telegrams will be delivered free within one-half mile of the Company's office in towns of 5,000 population or less, and within one mile of such office in other cities or towns. Beyond these limits the Company does not undertake to make delivery, but will, without liability, at the sender's request, as his agent and at his expense, endeavor to contract for him for such delivery at a reasonable price.

5. No responsibility attaches to this Company concerning telegrams until the same are accepted at one of its transmitting offices; and if a telegram is sent to such office by one of the Company's messengers, he acts for that purpose as the agent of the sender.

6. The Company will not be liable for damages or statutory penalties in any case where the claim is not presented in writing within sixty days after the telegram is filed with the Company for transmission.

7. *No employee of the Company is authorized to vary the foregoing.*

THE WESTERN UNION TELEGRAPH COMPANY

INCORPORATED

NEWCOMB CARLTON, PRESIDENT

CLASSES OF SERVICE

TELEGRAMS

A full-rate expedited service.

NIGHT TELEGRAMS

Accepted up to 2.00 A.M. at reduced rates to be sent during the night and delivered not earlier than the morning of the next ensuing business day.

DAY LETTERS

A deferred day service at rates lower than the standard telegram rates as follows: One and one-half times the standard night letter rate for the transmission of 50 words or less and one-fifth of the initial rate for each additional 10 words or less. Subordinate to the priority of transmission and delivery of regular telegrams. Must be written in plain English. Code language not permissible.

Telephonic delivery permissible. Day Letters received subject to express understanding that the Company only undertakes delivery of the same on the day of their date subject to condition that sufficient time remains for such transmission and delivery during regular office hours, subject to priority of the transmission of regular telegrams.

NIGHT LETTERS

Accepted up to midnight for delivery on the morning of the next ensuing business day, at rates still lower than standard night telegram rates, as follows: The standard day rate for 10 words shall be charged for the transmission of 50 words or less, and one-fifth of such standard day rate for 10 words shall be charged for each additional 10 words or less. Must be written in plain English. Code language not permissible. Mail delivery, postage prepaid, permissible.

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, VICE-PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

CLASS OF SERVICE	SYMBOL
Day Message	Blue
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 day message. Otherwise its character is indicated by the symbol appearing after the check.

Blue
Nite
N L

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

RECEIVED AT

1K AMG 49 GOVT

K WASHINGTON DC JULY 26 1915 1055AM

BENJAMIN STRONG JR

717

62 CEDAR ST NEWYORK

WILL BE TO REACH BOSTON NINE FIFTY MARBLEHEAD SAY TEN THIRTY
 UNLESS IT IS IMPORTANT TO ARRIVE EARLIER IN WHICH EVENT
 I SHALL TAKE MIDNIGHT FOR BOSTON PLEASE ADVISE HAVE YOU
 READ THE MARSH LETTER IN ECONOMIC WORLD OF JULY SEVENTEENTH

DELANO

11AM

Unofficial

44

FEDERAL RESERVE BOARD

WASHINGTON

October 26, 1915.

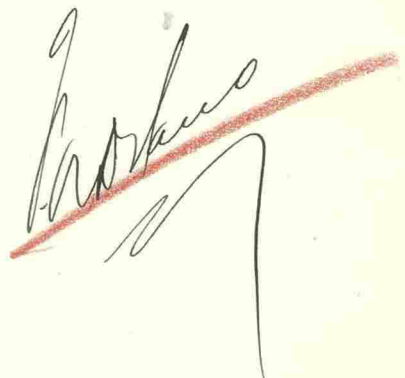
W.A. Fr.
OCT 27 1915

My dear Mr. Strong:

The apples arrived and they were about the finest and best I ever saw. The family are enjoying them.

I am going to Chicago to attend a dinner to be given to Mr. Ripley, President of the Santa Fe Road, on Saturday night next and shall come back via New York, arriving there Monday, November 1st. If you and Mr. Jay are "on the job" that day I shall hope to have a good chat with you and to that end I shall call at the bank, say about 10:00 o'clock in the morning. If you wish to arrange a definite hour you can address me here before I go, (I am leaving Friday night) or at the Belmont Hotel to reach me Monday morning. Mrs. Delano is going to be there so I shall want to keep my evening free.

Yours very truly,



Mr. Benj. Strong, Jr.,
Governor, Federal Reserve Bank,
New York City.

44

FILING DEPT
FEDERAL RESERVE BOARD
WASHINGTON
NOV 4 - 1915

October 28, 1915.

FEDERAL RESERVE BANK

My dear Mr. Strong:

Your note of the 27th is just received and it will give me pleasure to follow out the program suggested by you. My train arrives New York at 9:20 A. M.

Yours very truly,



Mr. Benj. Strong, Jr.,
New York.

592

FEDERAL RESERVE BOARD

FILING DEPT. WASHINGTON

DEC 4 1915

FEDERAL RESERVE BANK

R.A.H.
DEC-2 1915

December 1, 1915.

RECEIVED

DEC 2 1915 10 31 AM

My dear Mr. Strong:

I am in receipt of your letter of November 29th which I have read with great interest. There is only one thing I do not like in the letter and that is the conclusion you come to that we are powerless to do anything at the present time, because we have not a portfolio full of paper. Just because we cannot do what we would like to do if we had a portfolio full of paper, should not lead us to the conclusion that we can accomplish nothing. The suggestions I have made were, I admit, crude and not thoroughly worked out, but I threw them out simply for discussion.

FEDERAL RESERVE BANK OF NEW YORK

What I had in mind when I wrote Paragraph (d) was that the Federal Reserve Bank would call some of the big member banks together and make substantially this proposition:

"We will buy from you round amounts of Government bonds with circulation privilege at, say $99\frac{1}{2}$ and give you credit on our books for them, the understanding being that you will keep this reserve on our books as optional reserve which you will not draw against until the demand for money very considerably increases. We, in turn, will take the bonds we have bought, have Federal Reserve Bank notes issued against them, but hold

these bank notes in our vaults against the time when there is an active demand for currency. When that time comes and our member banks with whom we have made this arrangement wish to draw down their reserves, we can pay them in Federal Reserve notes or in Federal Reserve Bank notes. In this way, Federal Reserve Bank notes become an elastic currency in the strong hands of the Federal Reserve Bank rather than in the weak hands of member banks."

In Central Reserve cities there is a better opportunity to conduct these operations than in any reserve city; and I should think it would be perfectly possible in this way to draw in National bank note/currency to the extent of a hundred millions, and possibly twice or three times that amount.

In this suggestion I am not speaking for the Board, and not even giving my own final conclusions, but am, in a sense, "thinking out loud."

In regard to (e), I admit that it would rarely, if ever, be necessary to sell bills, notes and acceptances, but the ordinary process would be to allow these in our portfolios to run off, and not replace them. However, when the time comes that we are in the open market, I see no reason why the selling of foreign or domestic bills should not be recognized as just as much a proper process as the purchase of them.

Yours very truly,

Mr. Benj. Strong, Jr.,
Governor, Federal Reserve Bank,
New York City.



RECEIVED

DEC 2 10 22 AM

FEDERAL RESERVE BANK
OF NEW YORK

592
H

FEDERAL RESERVE BOARD

RECEIVED

FILING DEPT WASHINGTON

Personal

DEC 3 1915

December 3, 1915.

FEDERAL RESERVE BANK

R.A.H.
DEC-8 1915

DEC 3 1915
FEDERAL RESERVE BANK
OF NEW YORK

My dear Mr. Strong:

I am grateful to you for your letter of the second instant and I should not respond at once were it not that I think you have overlooked the main premise upon which my whole thought was predicated, even though not expressed in words. I assumed, as a fact, that the banks in New York were carrying very large excess reserves; I mean excess over the 18% required, and that even of this 18% five-eighteenths were optional reserves. This being the case, and assuming that they were earning no money on either the optional or the excess reserves, they would be willing to respond to such proposal as I outlined.

Of course, I require no diagram to see that there is nothing in it if they should promptly draw on you to pay for the redemption of their notes. And here again I am assuming that these banks, many of them, have their notes either actually unissued, or where they can readily call them in, so that they can send in the notes themselves to a considerable extent.

I agree with you that the bond secured currency is an evil which should be reduced as rapidly as it can be without causing alarm. If the Federal Reserve Board were to come out with any such bald statement it might create alarm or cause a bombardment from some sources, but I think you and I are agreed

that we will never have a thoroughly elastic currency until a large portion of the bond secured currency is retired. And, incidentally, there is no doubt in my mind that a successful country-wide clearing will diminish the necessity for currency, but my argument is that the bond secured bank notes are much safer in twelve hands than in some seventy-six hundred hands, and that in twelve hands they can be handled so as to be more nearly and truly elastic.

Now as to the comparative merits of buying twos, with the circulation privilege, and holding them as such, ~~and~~ *rather than* converting them into threes, I think there is a good deal to be said on both sides, but at present I lean to the idea that I would rather hold them with the circulation privilege. As an investment, the rate is less, but as to giving the Federal Reserve Bank a currency elasticity. I think they are better.

Under the twenty-five millions provision of retirement, it would take thirty years to retire all the Government bonds, and it may be desirable to have the language of this provision of the Act changed so that the retirement will not be less than twenty-five millions per year, instead of not more than twenty-five millions. Without any change in the law, there is another way in which all the National bank note currency could be retired in twenty years, and that is the method suggested by Mr. Perrin, which impresses me as certainly worthy of consideration, to wit: as National bank charters

are renewed they be renewed without the currency issuing privilege.

I recognize that there is one very serious objection, (in fact, it is the most serious objection that I can see) to taking over Government bonds, and that is that it at once releases National banks of any necessity of remaining National banks. For that reason I would hesitate to take all the bonds of any bank *until we get our new system better developed*

I note the argument in the latter part of your letter in regard to the undesirability of selling bills, and I think you make a very strong case. I, of course, realize that it would be an exceedingly rare transaction, but I think you show why it would be not only rare but undesirable and unnecessary.

Please understand that this letter is personal in its nature and is not intended either to represent my final or mature conclusions or decision, or any decision arrived at by the Board.

Yours very truly,



Mr. Banjo Strong, Jr.,
Governor, Federal Reserve Bank,
New York City.

FEDERAL RESERVE BOARD
WASHINGTON

44
RECEIVED
5/10

JAN 6 1916 8 39 AM

P.A. 6
JAN - 6 1916
Letter

FEDERAL RESERVE BANK
OF NEW YORK

Gov. Benjamin Strong
N.Y. Fed Res Bank

My dear Mr Strong

Thanks for your long
letter. However, I can not
refrain from sending you
the enclosed from a "wild
& woolley" Texan which
expresses my views in
brief.

Sincerely
F. D. I.ano

Wednesday Am

FEDERAL RESERVE BOARD
WASHINGTON

44

June [21] 1966

My dear Cousin Ben

I hope you continue to gain in strength also that your plans for getting away are maturing rapidly. - I wish you were not going so far away. Not that I do not like Colorado, I love it and it makes one feel like a King, but because if you were within a night's ride of N.Y. you could have friends drop in on you and pass the time o' day or spend work ends.

You had better plan, I think, to come back in the fall, to some "salubrious" Haven of Rest near

your friends and Kent folk,
which means me in part,

P.M.W. told you why I had
to get back. Our talk with
the "Boss" was not altogether sat-
isfactory but I think we made
our point in such a way that it
will probably stick in. - We had
talked with Hamlin and expect to
see Mr. M^ca today. -

Please note enclosed memo
from P.M.W. - Don't let it worry
you! It might be well as a
good business principle to scruti-
nize these acceptances so as
to scatter the risks; or we might
boost the rate $\frac{1}{4}$ or $\frac{1}{2}$ a point

unless endorsed by a member
bank. -

Pass this memo along
to Jay with your recommend-
ation. - I don't know
just when I shall see you but
I think I shall be up be-
fore you get away.
In the mean time, so long
to you!

Yours sincerely

Richard D. Evans

To Benj. Strong

your friends and Kent folk,
which means me in part,

P.M.W. told you why I had
to get back. Our talk with
the "Boss" was not altogether sat-
isfactory but I think we made
our point in such a way that it
will probably soak in. - We had
talked with Hamlin and expect to
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In the mean time, so long
to you!

Yours sincerely

Richard D. Evans

To Benj. Strong

44

FEDERAL RESERVE BOARD

WASHINGTON

July 16th, 1916.

Mr. Benjamin Strong,
4100 Montview Avenue,
Denver, Colo.

My dear Ben:

If I have not been misinformed you are again out in your Denver home, and I write to find out something more about Francis A. Chapman of Denver, who you mentioned to Mr. Warburg. Is he a man who is competent to be manager of a branch bank in Denver, or would he be a better man for director of the branch? What are his business connections and experiences.

Very truly yours,



FEDERAL RESERVE BOARD

WASHINGTON

July 21st, 1916.

My dear "Ben":-

I hope you have had salubrious weather in Colorado; that you survived the journey; that you have escaped the heat and that you are laying on a few pounds here and there where they will not do you any harm.

I have been thinking a good deal about your Bank of England proposal and trying to figure out how I can overcome the difficulty that Warburg (the only member of the Board who is really well posted upon the subject) points out. Finally the thought has suggested itself to me that I should submit the plan to some high grade, disinterested man, and have him criticize and endorse it, and that I could then use that endorsement, not only to sustain my judgment, but to present the matter to the Board.

I think Warburg would be willing to waive the responsibility and to have the matter handled during his absence - say during August; but I could not win the votes of my colleagues on the Board, especially the more cautious ones, unless I could show that some person entirely competent and expert in such matters had endorsed the plan. This perhaps will explain how my mind has been running, and in casting about for some one to consult, the names of George Blumenthal, Max May and John Gardin *have* occurred to me.

While I do not know much about him, my impression ^{is} that the first

Strong (Sheet No.2.)

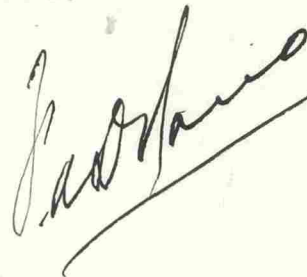
named is the best; but upon inquiry as to where he was and how I could get hold of him, I find that he is now out in California, traveling, and at last accounts was at the Del Monte Hotel, Monterey and does not expect to be back in New York until September first. Hence, the thought has occurred to me (as an alternative from my first thought) that you might get into communication with Blumenthal and ask him to stop off on his way east. If he would do so, and you could thereby fully explain the situation to him, he could come here and make his recommendation to me.

My present plan is to be away the first ten days of August, returning here for the rest of the month, and going away again early in September, when Miller and Warburg will be back again "on the job". However, I could postpone my going away for a few days in order to see Blumenthal.

The merit of the whole scheme, depends, of course, upon your views and conclusions, and I simply throw this out for you to think over and advise me.

Yours very truly,

Mr. Benjamin Strong, Jr.

A handwritten signature in cursive script, likely "J. P. Morgan", written in dark ink. The signature is written over a horizontal line that extends to the right.

MEMORANDUM

August 9, 1918.

The Wall Street Journal of August 7th carries an article dealing with the per capita indebtedness for war costs of the warring nations - giving two figures, one showing the per capita based on the population of the mother country alone, the other including colonies.

Of course the population of the colonies should be eliminated from any such calculation, inasmuch as in figuring out per capita debt one can only figure with those who are able to carry a national debt of any size.

But it is hard to see how much of a debt France will be able to place on her 47,000,000 of colonial population; and the same thing applies to a large extent to the British colonies.

One may think of the story that has been told about the man who asked a colored waiter in a restaurant whether he could change ten dollars. The waiter answered, "No, Boss, but I appreciates the compliment." Very similar would be the feeling of a Dahomey negre, who in all his life has never owned five dollars worth of money or property, if he should read - if, indeed he were able to read - that the Wall Street Journal has put him down as a fit subject for \$103 per capita debt.

Anybody having read the Wall Street Journal during these past two years can readily see that the only reason for that absurd basis of comparison is to be found in the wish to be able to make the statement:

"The heaviest per capita war expenses are in Germany, where they have been \$174 per capita for the home country alone and \$143 dollars if the German colonies are included. For Continental France they have been \$225 per capita, but for France and her colonies, only \$103. If British expenses are prorated simply over the British Isles, they amount to only \$243 per capita, but when the population of her dominions and colonies, exclusive of India, are included, it is brought down to \$91. Russia has the lowest per capita expense of all the great nations, it being only \$51."

If we strip this paragraph of the inclusion of colonies, the fact remains that Great Britain has incurred a per capita debt of \$243; France of \$225; and Germany of \$174. All the rest is misleading.

Then what about Russia? To begin with, we ought to bear in mind that what we have said about African colonies applies in large part to the Russian population. The 171,000,000 of Russian population includes a large percentage of people who could hardly figure as a fit basis for substantial per capita debt. On June 26th a Dutch paper, the Nieuwe Rotterdamsche Courant, contained the following item:

"In the congress of bank directors which has been held in Petrograd, the Manager of the Banque Internationale de Commerce de Petrograd pointed out the role which banks fulfil in the industry which is working for the national defence.

The speaker stated that of the 4 billions roubles which, roughly speaking, are forming the assets of the Russian Commercial Banks, 3 billions are being invested in State loans and in the industry which is working chiefly for the military needs of the Government.

"As far as the Banque Internationale itself is concerned, three quarters of the total of its balance sheet represent credits granted to enterprises which are working for the war."

This shows that Russia is possibly the only country where the ammunition factories are not paid but where the Russian Banks have to carry the manufacturers to the extent of 3,000,000,000, until the Russian Government will be able to pay.

In addition, we know that Russian circulation has been inflated to such an extent that prices have risen in Russia to about three or four times what they were before the war. In other words, the Russian Government has been paying for its home debts by printing paper. Moreover, no other country has been forced to purchase as much abroad in Japan, in the United States and in England and France, as Russia. Her industries are insufficient for her present needs, and the loans that have been publicly announced as contracted for by her in foreign countries could not possibly have paid for all she has purchased abroad. It is tempting, therefore, to reach the conclusion that either Russia must have contracted for more loans from her allies than we know, or that she has been

paying by sending gold, and that part of the stream of gold which is reaching our shores at present is coming from Russia.

It would be interesting to know, however, where this Russian gold comes from and what are the bookkeeping methods which enable Russia either to conceal gold holdings before the beginning of the war, or to conceal her withdrawals now. It would not be surprising if a search light turned upon these conditions would establish some interesting facts. Moreover, the investing public ought to bear in mind that in the past Russia has been a regular borrower in France and England and Germany, but mainly in France, and that her foreign gold credits have been annually replenished by these borrowings and thus enabled her to pay in gold the tremendous annual obligations for the payment of her coupons and amortization.

These foreign debts have been increasing through the war and it is a question well worth considering how Russia after the conclusion of the war will continue to pay these foreign obligations when her allies will not have the same interest and not the same saving power as before the war, and may be unwilling or unable, or both, to grant further loans to Russia.

It is all very well to say that Russia is a land of tremendous resources, but the question is how under the present regime can this country be developed and, moreover, even granting the improbable case of a future more progressive administration for Russia, can she be developed quickly enough to avoid an immediate catastrophe at the conclusion of the war?

also medicine ball, etc, then
bath & breakfast - then some
all day excursion on land
& water which includes at
least 3 hours hard tramp.
Charley thinks this is over-
coming my Federal Reserve
& I think it is clearing some
of the cobwebs of high finance
from his disordered brain.
I wish you were here for
I am sure you would find

Sept 14th 1916
PULPIT CHURCH
St. Louis
D.A. Br. 7
SEP 22 1916
Delaware

Dear Ben

Since stenographers became
the fashion my ability to write
long hand has gone steadily
to the blink and I have be-
come what must be admitted
a "bum correspondent." -
I have owed you a letter
for a long time and in-
tended often to write you
but it has taken real leisure

bring that about. I left
Washington on the
afternoon of September 1st
and have been on the beau-
tiful Maine Coast ever since.
First I went to Bar Harbor
where my family were and
there by skillful avoidance
of pink teas, lunches & din-
ners I had a good time -
Mt Desert Island is a beau-
tiful Island with 8 or 10
rugged Granite Hills 1000

to 1500 ft high - It is
threaded with paths and I
did them pretty religiously,
mostly alone I regret to
say. - On the 10th I came
here and I have had a
wonderful time with the
Nortons - We have had won-
derful fall weather, cold
nights and warmish days
and we have been exploring
by land and sea. We man-
age to have vigorous setting up
Exercises à la Muldoon at 6³⁰

Charley Norton learned of
this lovely spot from Jimmy
Custer's sister and I think
it is almost unique.

He has bought enough land
surrounding the harbor to pro-
tect the primitive nature of
the place, - he has given
a half a dozen ^{or more} ~~retired~~ cap-
tains, fishermen & boat
builders a life interest in
their homes and he has

and an old sea Captain's home

- II
it most interesting. ~~It~~
is the sort of thing
little harbor that it would
take Stevenson or the writer
of romantic sea tales to
do justice to. My father's
people were all sea men
and web footed, so when
I get by the sea all the
in born hunger for it
seems to come up. The
automobile & the motor boat

enables us to annihilate
space and we can go to
innumerable islands &
inlets and explore a re-
gion which under old
conditions would have
taken months to accom-

plish. Yesterday for in-
stance we skipped a
cross Puget Sound Bay
to Camden and spent
several hours going over

as the Camden Mountains
go to 1300 ft high and
giving a wonderfully
extended view of the archi-
pelago surrounding it.

Some shark on statistics
says you can see 365
islands and perhaps he
is telling the truth, it
wouldn't pay to employ
Arthur Young to check
him up. -

Kaulin - but we did not
get totation by seniority
of terms, not by favor, as
we had hoped. - That was

McAdoo's fine italian hand

on the amendments ^{eye}
think we did pretty well
even though we lost some
things we wanted. If we play
our cards well we should
get several vital amend-
ments in the next short

^{III}
habitable and comfortable with
modern fixings, but
without destroying the old flavor.

He has a motor boat, a sloop
a cat boat and various
row boats etc so the children
which are fine husky little
brutes are growing up in
the way they should go.

As you know I remained
in Washington all summer
until Sept 1st and while

thought I was busy I
look back upon it as a rather
wasted experience. The
check clearing & collection
matter is moving along
about as fast as could be
expected. Nixon's District
has made the most notable
success by reason of skill-
ful handling by him of the
Boston Clearing House people.
I think by the time the next
payment is made (Nov 16th)

We can call the scheme
fully launched and though
it may take a year to work
out all the kinks I believe
there will be no reaction &
Every month will show a
gain over the last. -
P.M.W. had rather a hectic
time this summer and not
altogether a happy solution
in all respects - We carried
our fight on rotation far enough
to prevent the designation of

Election - but any way he
promised me informally not
to turn it down without
giving me a chance to dis-
cuss it with him. - Harding
(now Gov of the Board) is strong
in favor of the deal & I think
we shall certainly put it thro
but it does take an impor-
tant amount of time -
Your letter answering PM's
objections I thought was
excellent; - but P.M.W. while

IV
session of Congress. The
true regardless of how the
Election goes for it means
either a Republican ~~the~~ ^{victory}
or a reduced Democratic
majority in Congress which
will ~~put~~ ^{make} the Congress ~~a~~ dis-
posed I think to give us what
we want. - However, some
of the amendments we did get
are good & I think pretty far
reaching, for example, if we
can introduce the principle of

ving all reserves kept in
the Reserve Banks we
can ^{drop} discard } the idea of
having F.R. Notes as Reserves.
If a ^{member} bank keeps all its Reser-
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comes immaterial to it
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F.R. Notes, silver, gold,

Bk Notes or Green backs.

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^V
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by the State Dept - had it not
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end.

Saturday - Sept 16th

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the River of many fish or little
fish in the Indian language -
we spent the night in a little
village (Damariscotta) &
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It was most interesting
& what with some tramping
ashore and rowing out
dingy we managed to get
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good long letter of Aug 18th
& yours of very recent date -
Sept 8th or thereabouts, -
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& vigour. Since your
letter you have I presume
met Hughes and also

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as Republican. Hughes will

My best wishes for your continued improvement

~~understanding~~ ^{understanding}. - I say to Charles
~~by~~ ^{by} others, - if you have
~~fault~~ ^{fault} to find, - arguments
to advance against the system
~~why~~ ^{why} not spit them out, man
~~fashion~~ ^{fashion}, I am willing to
~~listen~~ ^{listen}, willing to meet or
~~try~~ ^{try} to meet + honest criticism
half way. - Bulking &
damning the system under ones
breath I can't endure. -
Here ends the paper and here this
letter too. Excuse this rambling
~~in~~ ⁱⁿ the which I shall not read!

VII

I have had some good
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the reactionary crowd he
is surrounded by and I
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by Waring. — The difference
is that Hume, Back House &
Co have sulked in their tent
while Waring has used the FR
Bk of Boston & profitted in the

COPY

September 14, 1916

Dear Ben:

Since stenographers became the fashion, my ability to write long hand has gone steadily to the blink, and I have become what must be admitted a "bum correspondent." I have owed you a letter for a long time and intended often to write you, but it has taken real leisure to bring that about. I left Washington on the afternoon of September 1st and have been on the beautiful Maine Coast ever since. First, I went to Bar Harbor where my family were and thereby skillful avoidance of pink teas, lunches, and dinners I had a good time. Mt. Desert Island is a beautiful island with eight or ten rugged granite hills 1,000 to 1,500 feet high. It is threaded with paths, and I did them pretty religiously, mostly alone I regret to say. On the 10th, I came here, and I had a wonderful time with the Norton's. We have had wonderful fall weather, cold nights and warmish days, and we have been exploring by land and sea. We manage to have vigorous setting up exercises à la Muldoon at 6:30, also medicine ball, etc., then bath and breakfast, then some all day excursion on land and water which includes at least three hours hard tramp. Charley thinks this is overcoming my Federal Reserve, and I think it is clearing some of the cobwebs of high finance from his disordered brain. I wish you were here for I am sure you would find it most interesting. It is the sort of snug little harbor that it would take Stevenson or the writer of romantic sea tales to do justice to. My father's people were all sea men and web footed, so when I get by the sea all the inborn hunger for it seems to come up. The automobile and the motor boat enables us to annihilate space, and we can go to innumerable islands and inlets and explore a region which under old conditions would have taken months to accomplish. Yesterday, for instance, we shipped across Penobscot Bay to Camden and spent several hours going over the range of hills known as the Camden Mountains, 900 to 1,300 feet high, and giving a wonderfully extended view of the archipelago surrounding it. Some shark on statistics says you can see 365 islands and perhaps he is telling the truth; it wouldn't pay to employ Arthur Young to check him up. Charley Norton learned of this lovely spot from Jimmy Curtis' sister, and I think it is almost unique. He has bought enough land surrounding the harbor to protect the primitive nature of the place. He has given half a dozen or more retired captains, fishermen, and boat builders a life interest in their homes, and he has made an old sea captain's home habitable and comfortable with modern fixings, but without destroying the old flavor. He has a motor boat, a sloop, a catboat, and various rowboats, etc., so the children who are fine husky little brutes are growing up in the way they should go.

As you know, I remained in Washington all summer, until September 1, and while I thought I was busy, I look back upon it as a rather

wasted experience. The check clearing and collection matter is moving along about as fast as could be expected. Aiken's District has made the most notable success by reason of skillful handling by him of the Boston Clearing House people. I think by the time the next payment is made (November 16) we can call the scheme fully launched, and though it may take a year to work out all of the kinks, I believe there will be no reaction. Every month will show a gain over the last. P. M. W[arburg] had rather a hectic time this summer and not altogether a happy solution in all respects. We carried our fight on rotation far enough to prevent the designation of Hamlin -- but we did not get rotation seniority of terms, not by favor, as we had hoped. That was McAdoo's fine Italian hand.

On the amendments, I think we did pretty well, even though we lost some things we wanted. If we play our cards well, we should get several vital amendments in the next short session of Congress. This is true regardless of how the election goes, for it means either a Republican victory or a reduced Democratic majority in Congress which will make the Congress disposed, I think, to give us what we want. However, some of the amendments we did get are good, and I think pretty far-reaching. For example, if we can introduce the principle of having all reserves kept in the Reserve Banks, we can drop or discard the idea of having Federal Reserve Notes as reserves. If a member bank keeps all its reserves with the Federal Reserve Bank, it becomes immaterial to it whether its till money is Federal Reserve Notes, silver, gold, Bank Notes, or Greenbacks. The Clayton Act is troubling the Board now, and they are fully occupied with the question. I "wrestled" with it but left it unfinished!

The foreign (English) arrangement is still in statu quo. McAdoo suggested going to the Secretary of State, and I was the only one left to say it was quite unnecessary. I presume Lansing will hold the matter up till after the election -- but anyway he promised me informally not to turn it down without giving me a chance to discuss it with him. Harding (now Governor of the Board) is strongly in favor of the deal, and I think we shall certainly put it through, but it does take an infernal amount of time. Your letter answering P. M. W[arburg]'s objections I thought was excellent; -- but P. M. W., while superficially favorable, is at least not unfavorable to the scheme, and it makes it hard. I think McAdoo would have said, as he did a year ago, that the matter did not need action by the State Department -- had it not been that he wanted, without saying so, that it should be deferred till after November 4th.

Saturday, September 16, 1916

I had gotten thus far when we started off on a very interesting excursion in CDN's gasoline launch -- exploring the shore for 60 or 70 miles to the eastward. We entered numerous little harbors and inlets, and finally went up a most beautiful tidal river, the Damariscotta, the river of many fish or little fish in the Indian language. We spent the night in a little village (Damariscotta) and worked our way back yesterday. It was most interesting, and what with some tramping ashore and rowing our dinghy we managed to get some healthy exercise.

Charlie let me read your good long letter of August 18th and yours of very recent date -- September 8th or thereabouts,-- both most interesting and reassuring as to your health and vigor. Since your letter, you have, I presume, met Hughes and also learned of the Maine results. I have, after several weeks of consideration, decided to abandon Wilson and vote for Hughes. I shall not be the only one, and I would not be surprised if there was quite a Hughes landslide. Hughes has shown some nerve in discussing the labor situation and Wilson's bungling of the R. R. strike problem. I was in doubt whether this would make or lose votes, but now I begin to think it will make him votes. Furthermore, I think that labor leaders will begin to see that Wilson's aid hurt rather than helped them -- that the whole thing has been messed and bungled, and as I see it, in the same way that the Mexican situation was bungled. Wilson is personally unpopular, and I think is no politician. I shall call him a near-statesman -- who missed greatness by a fair margin. People more and more doubt his sincerity. They feel that his words do not ring quite true. Perhaps that is only my view and not a true reflection of the public view, but I cannot help thinking that he is disliked most by people in Washington who have seen the most of him. That is not a good sign, -- for him, -- and I think it explains why he has lost in popularity. There is very little to choose between the parties. They vie with each other in progressive-ism -- there are no national issues! There are good men in Congress in both Houses and as many Democrats as Republicans. Hughes will not please the professional politicians, -- and he has some of Wilson's faults, but I think is more human, more of a man's man.

I shall be back in Washington in a week, and I know [will] feel more like hitting the line than for some time.

Harding and Warburg will probably visit you after the Kansas City Convention.

I have had some good talks with Charley about the reactionary crowd he is surrounded by, and I have heard the arguments which are similar to those expressed to some extent by Wing. The difference is that Hine, Beck, House, and Co. have sulked in their tents while Wing has used the Federal Reserve Bank of Boston and profited in the undertaking. I say to Charley and others -- if you have fault to find, -- arguments to advance against the System, why not spit them out, man-fashion, I am willing to listen, willing to meet or try to meet honest criticism half way. Sulking and damning the System under one's breath I can't endure. Here ends the paper and here this letter, too. Excuse this rambling epistle which I shall not reread. My best wishes for your continual improvement.

Yours always,

(Signed)

FREDERICK A. DELANO

The enclosed is a copy of a private letter which I have addressed to Dr. Eliot, President Emeritus of Harvard University. It is, of course, not prepared for publication and yet, because it deals with a public question, I am taking the liberty of sending a few copies of it to personal friends.

F. A. Delano.

1128 Sixteenth Street, N.W.,
Washington, D.C.

October 14th, 1916.

FILED
OCT 11 1917
FEDERAL RESERVE BANK

My dear Dr. Eliot:-

When I saw you early in August and discussed with you the achievements of the Wilson Administration, I fully intended to vote for Mr. Wilson, not with the same enthusiasm, it is true, with which I supported him four years ago, but still with the deliberate conclusion that his record entitled him to another term. Since then, I have come to the reverse conclusion, and I feel, therefore, in the interest of candor, that I should frankly tell you my reasons.

Before I proceed, however, to discuss my reasons, I should explain that one thing which bothered me at the outset in considering the matter was whether I was a free agent or whether, upon ethical grounds or reasons of decency, propriety or good taste, I should vote for the man who had appointed me to a public office. Without going into my reasoning in detail, I will say that I concluded that inasmuch as I was in no sense a member of The President's Cabinet, was not a member of his "official family", was not in his confidence, had never been consulted, indeed, had no responsible share in the conclusions arrived at or the policies adopted, and the further fact that I accepted my appointment, not as a seeker of a public office, but

simply as a citizen drifted from the ranks to perform a given service, I was not only a free agent, but that it was quite as much as ever my right and duty to exercise the prerogatives of citizenship.

That phase of the case disposed of, I reviewed the achievements of The President's administration, - as so well set forth in your recent Atlantic Monthly article - and in the light of more recent events, came to the conclusion that I could not support The President, for the reason that, however successful he had been as the Premier of his party in securing legislation, he had proved himself woefully deficient as an executive and dangerous to the country and to his party as well.

The President, perhaps more than any other President before him, has taken charge of the Legislative Program of his party. He has not only been recognized as the party leader, but until now he has been stronger than his party and put even his most able and loyal party supporters in the background. But as President his constitutional duties as administrative and executive head of the Government are of prime importance and in these particulars it seems to me he has signally failed. He seems to be actually lacking in qualities necessary to make a good executive.

The activities of the Administration may be chiefly

classed under three heads:

- (1) Policy with relation to Mexico;
- (2) Policy with relation to European nations;
- (3) Domestic policy.

Dealing with these topics seriatim, I arrive at the following conclusions:

Our Mexican Policy:

Viewed from any angle, it appears to me to have been a failure, - not that the ideal which The President apparently had in mind was not fine and altruistic, but because he entered upon a policy without any conception of how it was to be carried out or whether it was even attainable. The conditions in Mexico at the end of four years are worse than at the beginning and our relations are worse. While pretending not to intervene in Mexico, if that word means anything we did intervene in the case of the Vera Cruz Expedition and again in sending down Pershing's Column. In spite of the expenditures of men and money, we have failed to convince Mexico of our sincerity or of our altruistic motives. Conditions in Mexico are almost unbelievable. The poor and downtrodden people of that land for whom we are ostensibly intervening are dying by thousands of starvation and sickness. Apparently we intended that they should have self government on a better basis than even our own people enjoy, but, though interfering with any semblance of government they once possessed, we have been unable to set up any-

thing better. Our policy seems to have no beginning nor end; it is alike inconsistent with our attitude toward Peru or toward Haiti, San Domingo or Nicaragua.

Our European Policy:

Our attitude toward the warring nations after more than two years of war certainly does not appear in a very satisfactory light. This is partly due to the fact that the position of a neutral is unsatisfactory and cannot be long maintained by a nation any more than by a man with any degree of satisfaction and self respect. The result is that we are equally hated by every nation abroad, belligerents and non-belligerents. We have assumed that there was no middle course between neutrality and war, and have missed the greatest opportunity this Nation has ever had, the opportunity to stand up for the rights of man, for the foundation principles of justice, for the rights of little nations, etc. We have failed to see that if, as a result of watching the struggle, we are convinced that if one party to it should win, the rights of man were certain to be abridged, that our relations to our next door neighbor, Canada, were certain to be seriously affected, that we could better trust those nations which had done the most to develop democracy than those which have stood always for militarism and the Divine Right of Kings, then we would be justified in saying frankly and honestly,

"We have no present intention of taking part in this struggle, but we have no hesitation in saying that our sympathies are thus and so and our reasons are thus and so". That would have been fine. That would have beaten out a new avenue, a new road of advance, and, I venture to say, would have appealed to the great heart of the Germanic peoples more than our honeyed phrases, more than our talk of neutrality, which they believe is unreal and insincere.

It may be argued that such a policy is chimerical because it has never been tried and that it would certainly have led us into war. I do not concede that either of these criticisms are valid and I believe that such a policy would not only have made for the ultimate peace of the world, but would have been a fine and dignified position for a great, strong nation, "conceived in liberty", to have assumed. It would compare favorably with the policy we adopted in the Lusitania case, where our actions squared so little with our words that it made every red-blooded American squirm. And as I write, the latest development in the submarine warfare, as to which we have made such brave protests in writing, appears to be that The President has concluded that the stoppage and sinking of belligerent, and even neutral, vessels leaving our

ports cannot be objected to by us upon international grounds. In other words, a foreign nation, not at war with us, can impose a partial blockade of our ports and of our commerce, whether carried in the bottoms of nations with whom we are not at war, but even when carried by those with whom this attacking nation is not at war. And this it is proposed that we shall placidly contemplate!

I need not elaborate this thought, for I have doubtless said enough to illustrate my meaning.

Our Domestic Policy:

The President set himself vigorously to put through Congress a long and comprehensive program of legislation. His greatest single achievement, as you point out, was the Federal Reserve Act; and yet, without taking away from The President the credit properly due him for that achievement, no fair minded man would pretend that Mr. Wilson or the Democratic party, or any other party could have successfully put through so far-reaching fundamental or constructive legislation if the matter had not been very fully investigated both in and out of Congress and the public interest awakened by a campaign of education which had been going on for several years. No party could have put through the legislation single handed, and as the records show, even President Wilson's strong leadership, at the height of his

influence, was not sufficient to put through the law without Republican votes. Of the other legislation less can be said. It is, in most cases, like so much of our American legislation, well intentioned but exceedingly faulty in detail. The President has shown himself more eager to secure quantity than quality. In the Army and Navy legislation The President's attitude changed suddenly from one extreme to the other. The change came, perhaps by a curious coincidence, immediately after Ex President Roosevelt's and Senator Root's strong attacks upon the country's lack of preparedness. Was this change of front the result of conviction, or an endeavor to line up the Administration with the apparent tide of public sentiment? Did The President lead, or did he adapt his utterances to what he sensed as the swing of public sentiment? Every thinking man will form his own conclusions, but I cannot escape the conviction that The President's "preparedness" speeches were insincere and hollow and deliberately manufactured to meet the public demand.

And now we come to the last, and if not the greatest, certainly the most recent blunder of The President, the quasi settlement of the demands of the Railway Brotherhoods. On this question I confess that my twenty-nine years of railway experience may lead me to take an unfriendly attitude to

The President, but I want to be fair. This much I do know. The President was aware that a crisis in this matter was approaching eight months before its climax. He either ignored the matter or deliberately allowed it to take the course it did. When the crisis finally did come, there were, as I see it, two courses open to him; he could either lay aside other affairs of State and act as the mediator and arbitrator of the controversy, which would have obligated him, of course, to listen patiently and with an open mind to the contentions of each side, or else he could properly say that he would insist that there should be no strike, at least until he had caused an investigation of the subject by a competent tribunal. The men in the railway service are not anarchists, nor are their labor chiefs. They may do some "bluffing", but they would have accepted either plan without a strike. Of that I am confident.

Instead of that, The President jumped at a conclusion without investigation, and then, to use a slang phrase, "passed the buck" to Congress. In his message to Congress The president either showed that he had such a superficial knowledge of the matter that he mistook a veiled demand for a twenty-five percent increase in pay for a demand for shorter hours of work, or else he deliberately made a statement to Congress which was essentially disingenuous. It is not pleas-

ant to choose between either horn of this dilemma!

But worst of all, a very serious precedent has been introduced and will have been established if approved by the voters in November. Unless we have a care, the wheels of commerce will be stopped every Presidential year to compel some new concession from somebody. Furthermore, The President has not made progress in harmonizing disputes between capital and labor. He has aggravated and confused the issues. The rights of the public, which in the matter of the public service are always paramount, have been ignored or else left unprotected. Arbitration, which he pretends to believe in, is discarded because he decides in advance that the case is not arbitrable. Now, either arbitration is a good thing and should be used, or it is faulty (which I admit) and should be discarded as soon as a better contrivance can be devised to replace it. A pronounced passivist like The President must believe in arbitration, at least until something else has been devised to take its place, because he does not believe in "ordeal by battle".

And what is the explanation? Was The President intimidated by four men threatening a great strike? Did he have so little confidence in their good sense and patri-

otism that he feared them even as he might four outlaws brandishing incendiary torches? And how does he square his sudden adherence to the demands of labor, with his published utterances of comparatively recent years? I would have said that as a college President, he was rather unfair - certainly unkind and unfriendly - to labor; that he not only was undisposed to give labor credit for some justice in its position, but that he showed himself actually unsympathetic. Why this sudden change of front? Everyone will have to form his own conclusions, but, I confess, mine are not as complimentary to The President as I could wish.

- - - - -

I imagine you will say that while these criticisms of The President are more or less valid, they do not convince you that Mr. Hughes will do any better. You may say, as many do, that The President has had more difficult problems to deal with than any other President and that it is unfair to abuse him because he has made some mistakes. My answer to that is that many of the questions were difficult, but that the difficulties which gave them birth were largely of his own making. That is notably true of the Mexican question. He would have been justified in upsetting the Huerta government if he had a better man and a better scheme of government

to substitute for it. If he did not, he committed an executive blunder. And now, how can we be sure that Mr. Hughes will do better? True, he made a good Prosecuting Attorney, a courageous Governor, a thoroughly capable Justice of the Supreme Court; but even then, he may fail as President. True, so he may! No one can tell; it is simply a matter of opinion. On the other hand, we do know that a vote for Mr. Wilson is a vote of confidence and endorsement, an assurance that his actions have met with our approval.

It is sometimes said that Mr. Hughes criticizes Mr. Wilson without disclosing what he would have done under similar circumstances; also that he should say how he proposes to handle the Mexican or the European situation. Some of these suggestions are unfair. Mr. Hughes can criticize what was done and still not be justified in saying what he would do after March 4th if elected. These matters are changing daily and there is no foreseeing what Mr. Hughes, even if elected, will find to deal with. It is certainly conceivable, if not plainly obvious, that foreign nations would deal somewhat differently with us if they thought The President was a man not easily cajoled, than if they were dealing with a man of words and phrases rather than of action. Some pretend to believe that Mr. Hughes would forth-

with adopt armed intervention in Mexico or a warlike policy towards European nations; but they justify this belief only upon the ground that he has criticized Mr. Wilson's policies. One argument used against Mr. Hughes is that he evidently proposes to protect American interests abroad, which means, they suggest, protecting American corporations engaged in business in foreign countries at the expense of the entire Nation. This argument, even though used by a party which has been strongly urging American capital to go abroad, and especially to seek investment in Central and South America, would be a good argument if it were based upon facts; but even if we agree in the policy that the American who invests abroad must do so at his peril, and that he should not expect American military power or diplomatic service to sustain him in his business, yet we must believe that he has a right to expect that his country will see to it that treaty obligations will be maintained, and, more than all, that his country's diplomatic attitude shall not result in breaking down his business. In Mexico, for example, it is a notorious fact that many American corporations would have gone along very well if the United States had not interfered. Far from asking intervention on their behalf, they asked that their business and the lives of

their employees should not be jeopardized and sacrificed by reason of an effort to carry out what has since proved an unwise and, indeed, an impossible policy. What the next few months may bring on is difficult to foresee, but certainly if intervention is necessary in Mexico, it will be because in no other way can we restore order to a famine stricken nation, not because we shall be sending ships or troops to protect American investments which have been worsted there as a result of years of anarchy.

Another argument, and it appeals to me, is that there is danger of turning out a Democratic Congress and substituting a reactionary Republican Congress. The answer to that seems to be that progressives and reactionaries are to be found in considerable numbers in each party; and by reason of the seniority rule in filling Congressional chairmanships, it is an unfortunate fact that many important committees are certain to be filled by reactionaries, regardless of whether the Democrats or Republicans win. The President is unpopular with Congress because he has usurped its functions. He has bulldozed, rather than led it, and as a result he has not helped his party. Furthermore, for reasons which are not easy to explain, there are no great party issues. Each party claims to be progressive. Each promises

-14-

about everything and the average citizen is therefore thrown back upon the question, Which man will make the best President? One of them has been tried and in that trial has exhibited some serious lines of weakness. The other promises well, but has been untried except in less important capacities. Some will argue that it is better to take a man with known faults than an untried man. On the whole, and after weighing the entire question carefully, I have come to the conclusion to vote for Mr. Hughes.

I am, my dear Sir,

Very truly yours,

(Signed) F. A. DELANO.

FILING DEPT.

MAR 11 1917

FEDERAL RESERVE BANK

To Dr. Charles W. Eliot,

Cambridge, Mass.

12. A. L.
OCT 10 1916
1128 SIXTEENTH STREET
WASHINGTON, D. C.

44
7A Deland
17th 1916

My dear Ben -

I have been intending to write you for many days - I realize I can not now answer your good letter - I got back on the job Sept 26th, but since then I have been to Chicago to register and look over the J.R. Bank and also to St. Louis. I have gotten a good deal stirred up on the Presidential situation and on my way home

FILING DEPT.
DEC 11 1917
FEDERAL RESERVE BANK

11
October 31, 1916.

Dear Mr. Delano:

Your attention has doubtless been called to the fact that a Joint Committee of the two Houses of Congress has, by resolution approved July 20, 1916, been directed to make a study of the whole subject of governmental regulation of railroads and also of government ownership of the instrumentalities of interstate and foreign commerce.

The Joint Committee has arranged to begin its sessions November 20, 1916, at Room 326, Senate Office Building, Washington, D.C., and as it is a matter of the highest public interest that the subject of railroad credit shall be adequately presented to that committee, I am writing to urge that you appear has a witness in those proceedings and give your views.

I cannot yet give you an idea as to when you will be called, but it would be a very sincere satisfaction to me and to the Railway Executives' Advisory Committee, if you could find time to make any preparation which you desire to make and be in readiness when the opportunity offers.

I am taking the liberty of enclosing to you the following papers:

1. Printed copy of the resolution of Congress referred to.
2. Printed analysis made by the Congressional Committee of this resolution.
3. Printed copy of a list of subjects suggested for the consideration of bankers and investment brokers.
4. Printed copy of a list of subjects which economists and publicists will be asked to consider.

From these papers you will readily gather the subjects which appear to be of especial importance to us, and I would appreciate your giving such consideration to them as you think they deserve. As you are eminently qualified to rank not only as a banker but as an economist and publicist, I venture to hope that you will give consideration to the subjects presented for the consideration of economists and publicists as well as to those more especially intended for bankers.

Mr. Delana

2

In addition to what is mentioned in these papers, your own experience and judgment will doubtless suggest other aspects of the matter which should be covered.

I take the liberty of suggesting that you could perform no greater public service than to appear before the Congressional Committee and help in the solution of this problem which ^{the} business world has come to appreciate as a problem of the first magnitude.

Will you kindly let me know whether you will consent to appear. If so, I shall undertake to keep you advised as to the proceedings, and as to when your presence will be needed. Meanwhile, I should be glad to receive from you any suggestions which you feel inclined to make.

Yours very truly,

Chairman.

Hon. F. A. Delana,
Member Federal Reserve Board,
Washington, D. C.

[TENTATIVE PRINT—SUBJECT TO REVISION.]

SENATE

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OSCAR W. UNDERWOOD, ALA.
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CONGRESS OF THE UNITED STATES,

JOINT COMMITTEE ON INTERSTATE COMMERCE,

ROOM 326, SENATE OFFICE BUILDING,

WASHINGTON, D. C.

HOUSE OF REPRESENTATIVES.

WILLIAM C. ADAMSON, GA.
VICE CHAIRMAN,
THETUS W. SIMS, TENN.
WILLIAM A. CULLOP, IND.
JOHN J. ESCH, WIS.
EDWARD L. HAMILTON, MICH.
WILLIS J. DAVIS, ASST. CLERK.

INVESTIGATION OF THE CONDITIONS RELATING TO INTERSTATE AND FOREIGN COMMERCE
AND THE NECESSITY FOR FURTHER LEGISLATION RELATING THERETO.

PRELIMINARY STATEMENT.

1. INITIATION OF PROCEEDINGS.

The initiative of the proceedings provided for by Senate joint resolution 60 was taken by President Woodrow Wilson in a message to the Congress of the United States, presented December 7, 1915, in the following words:

2. PRESIDENT'S MESSAGE.

In the meantime may I make this suggestion? The transportation problem is an exceedingly serious and pressing one in this country. There has from time to time been reason to fear that our railroads would not much longer be able to cope with it successfully, as at present equipped and coordinated. I suggest that it would be wise to provide for a commission of inquiry to ascertain by a thorough canvass of the whole question whether our laws as at present framed and administered are as serviceable as they might be in the solution of the problem. It is obviously a problem that lies at the very foundation of our efficiency as a people. Such an inquiry ought to draw out every circumstance and opinion worth considering, and we need to know all sides of the matter if we mean to do anything in the field of Federal legislation.

No one, I am sure, would wish to take any backward step. The regulation of the railways of the country by Federal commission has had admirable results and has fully justified the hopes and expectations of those by whom the policy of regulation was originally proposed. The question is not what should we undo? It is whether there is anything else we can do that would supply us with effective means, in the very process of regulation, for bettering the conditions under which the railroads are operated and for making them more useful servants of the country as a whole. It seems to me that it might be the part of wisdom, therefore, before further legislation in this field is attempted, to look at the whole problem of coordination and efficiency in the full light of a fresh assessment of circumstances and opinion as a guide to dealing with the several parts of it.

3. THE RESOLUTION.

Senate joint resolution No. 60 was introduced in the Senate and, after amendment by including the investigation of Government ownership, was adopted by both Houses of Congress. It was approved by the President July 20, 1916, and reads as follows:

[Public Resolution—No. 25—64th Congress.]

[S. J. Res. 60.]

Joint Resolution Creating a joint subcommittee from the membership of the Senate Committee on Interstate Commerce and the House Committee on Interstate and Foreign Commerce to investigate the conditions relating to interstate and foreign commerce, and the necessity of further legislation relating thereto, and defining the powers and duties of such subcommittee.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Interstate Commerce Committee of the Senate and the Committee of the House of Representatives on Interstate and Foreign Commerce, through a joint subcommittee to consist of five Senators and five Representatives, who shall be selected by said committees, respectively, be, and they hereby are, appointed to investigate the subject of the Government control and regulation of interstate and foreign transportation, the efficiency of the existing system in protecting the rights of shippers and carriers and in promoting the public interest, the incorporation or control of the incorporation of carriers, and all proposed changes in the organization of the Interstate Commerce Commission and the act to regulate commerce, also the subject of Government ownership of all public utilities, such as telegraph, wireless,

cable, telephone, express companies, and railroads engaged in interstate and foreign commerce and report as to the wisdom or feasibility of Government ownership of such utilities and as to the comparative worth and efficiency of Government regulation and control as compared with Government ownership and operation, with authority to sit during the recess of Congress and with power to summon witnesses, to administer oaths, and to require the various departments, commissions, and other Government agencies of the United States to furnish such information and render such assistance as may, in the judgment of the joint subcommittee, be deemed desirable, to appoint necessary experts, clerks, and stenographers, and to do whatever is necessary for a full and comprehensive examination and study of the subject and report to Congress on or before the second Monday in January, nineteen hundred and seventeen; that the sum of \$24,000, or so much thereof as is necessary to carry out the purposes of this resolution and to pay the necessary expenses of the subcommittee and its members, is hereby appropriated out of any money in the Treasury not otherwise appropriated. Said appropriation shall be immediately available and shall be paid out on the audit and order of the chairman or acting chairman of said subcommittee, which audit and order shall be conclusive and binding upon all departments as to the correctness of the accounts of such subcommittee.

Approved, July 20, 1916.

4. MEMBERSHIP.

Following the adoption of the resolution the following Members of the Senate and House were appointed members of the joint subcommittee:

<i>Senate.</i>	<i>House of Representatives.</i>
FRANCIS G. NEWLANDS, Nevada.	WILLIAM C. ADAMSON, Georgia.
JOSEPH T. ROBINSON, Arkansas.	THETUS W. SIMS, Tennessee.
OSCAR W. UNDERWOOD, Alabama.	WILLIAM A. CULLOP, Indiana.
ALBERT B. CUMMINS, Iowa.	JOHN J. ESCH, Wisconsin.
FRANK B. BRANDEGEE, Connecticut.	EDWARD L. HAMILTON, Michigan.

5. ORGANIZATION.

The members of the joint subcommittee met and organized, selecting as chairman Francis G. Newlands and vice chairman William C. Adamson. They also appointed Frank Healy as clerk of the committee and Willis J. Davis as assistant clerk, and designated Messrs. Galt & Hull, Southern Building, Washington, D. C., as official reporters.

6. DATE OF HEARINGS.

The date of the first hearing was set for November 20, 1916, at 10 o'clock a. m., at room 326, Senate Office Building, Washington, D. C.

7. ARRANGEMENT OF HEARINGS.

It is the desire of the committee to give ample opportunity to all interested in or having any relation to the subject matter of the proposed inquiry to express their views. But the committee would like early notice of the subjects to be discussed by the various persons appearing before it, so that the hearing can be, as far as practicable, in orderly sequence as to subjects. The purpose of the committee is to hear regarding Government regulation and Government ownership the opinions of economists and publicists of eminence, representatives of the Interstate Commerce Commission, the National Association of State Railroad Commissioners, State railroad and public utility commissions, representatives of the railroad executives and labor organizations, representatives of farming organizations, and farmers, shippers, and bankers, representatives of chambers of commerce, and other important business and industrial organizations.

8. SUBJECTS TO BE CONSIDERED.

The subjects to be considered are stated in general terms in the joint resolution and cover—

FIRST.

“* * * the subject of the Government control and regulation of interstate and foreign transportation,” including therein specifically:

(a) “* * * the efficiency of the existing system in protecting the rights of shippers and carriers and in promoting the public interest.”

(b) “* * * the incorporation or control of the incorporation of carriers.”

(c) “* * * and all proposed changes in the organization of the Interstate Commerce Commission and the act to regulate commerce.”

SECOND.

"* * * the subject of Government ownership of all public utilities, such as telegraph, wireless, cable, telephone, express companies, and railroads engaged in interstate and foreign commerce," including specifically:

(a) "* * * the wisdom or feasibility of Government ownership of such utilities."

(b) "* * * the comparative worth and efficiency of Government regulation and control as compared with Government ownership and operation."

9. GOVERNMENT REGULATION AND CONTROL.

Under this head, without excluding other questions, attention is particularly called to the following subjects:

yno
(a) Whether the Interstate Commerce Commission is overloaded and whether its jurisdiction should be confined to questions of discriminations, rebates, and rates, its jurisdiction over other subjects, such as valuation, safety inspection, etc., to be turned over to some other body or bureau to be created by law.

yno
(b) Whether it is necessary to make any change in the organization of the Interstate Commerce Commission with a view to prompt and efficient action; whether it is feasible to increase the number of commissioners and to permit them to divide into several departments for the consideration of cases, and if so whether there shall also be consideration in bank and also whether there shall be appeal from decisions in the department to the commission in bank.

yno
Two Cases
(c) Whether such departments of the Interstate Commerce Commission shall sit in Washington, or be assigned to definite traffic areas somewhat after the manner of the judicial circuits, and whether in the latter case there should be provision for their sitting in bank at Washington or for some central body in Washington with the duty of hearing appeals and directing the procedure of the departments.

no
yno
? yno?
no
Industry - Home
and Elec.
etc.
Probably
no
(d) Whether under the present system the credit of the common carriers is assured with a view to their securing the moneys needed for necessary improvements and extensions in the interest of the public and at reasonable rates of interest. Whether Government regulation of the issue of securities is advisable, and if so whether it is to the interest of the public as well as the carriers that this regulation should be exercised by the National Government and whether it should involve merely publicity or absolute control of the issue of securities. Whether concurrent jurisdiction of the Nation and the States to control such issues is in the interest of the carriers and the public. What will be the field of operations for the State railroad commissions in the interest of the public if the control of securities and the control of rates is vested in the Interstate Commerce Commission. Whether and to what extent within a period of five years it will be necessary to enlarge the facilities of the common carriers in the interests of the public and whether the present system of Government regulation is such as to insure the credit of the carriers with a view to their making additional necessary expenditures.

Distruction
(e) What is the effect of dual regulation on the parts of the States and the Nation of the rates of carriers. What, if any, contradictions does it involve, and what, if any, discriminations does it involve as between States and localities.

Question
(f) Whether or not any regulation is feasible of the wages and hours of employees of common carriers, and whether or not it is advisable, in the interest of the public and with a view to maintaining uninterrupted commerce between the States, to take any further legislative action regarding the adjustment of disputes between the carriers and their employees and regarding strikes and lockouts.

yno
no
Maintenance
?
yno
(g) Whether any national legislation is required as to the organization of carriers in interstate commerce in the nature of national incorporation, permissive or compulsory, or in the nature of national holding companies under which State corporations may be controlled and unified in their operations in the interest of interstate commerce, and what form of national legislation for the incorporation of carriers or for holding companies owning the stock of State companies, is desirable. How will national incorporation affect the police powers of the States over railroads operating within their boundaries. Will it be advisable, as in the case of the national banks, for the National Government to prescribe a uniform rule for the taxation by the States of railroad properties and securities.

10. GOVERNMENT OWNERSHIP.

no
yes
no
?
no
?
Thomas {
“* * * the wisdom or feasibility of Government ownership of such utilities” and “* * * the comparative worth and efficiency of Government regulation and control as compared with Government ownership and operation,” including under this head:

(a) The practical results of Government ownership both as to efficiency and economy where actually practiced.

(b) Whether Government ownership is compatible with our system of government and what its effect will be on our governmental institutions.

(c) Whether a system of Government ownership will suit local needs.

(d) A practical method of securing Government ownership whether by purchase or condemnation of properties, or by purchase or condemnation of bond and stock issues, or otherwise.

* * * * *

The views of all who are interested in or have information regarding the foregoing questions are invited by the Committee, either by written communication or at the oral hearings.

It is suggested that with a view to maintaining a logical sequence in the hearings those participating therein classify their remarks according to the foregoing subheads as far as practicable.

Francis G. Newlands
Chair

FEDERAL RESERVE BOARD
FILING DEPT. WASHINGTON

NOV 30 1915

FEDERAL RESERVE BANK

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FEDERAL RESERVE BANK

My dear Mr. Strong:

I enclose herewith a little analysis in which I have tried to illustrate in a graphic sort of a way what the Federal Reserve Banks or the Federal Reserve Board can do in the way of influencing money rates. I should like to have you look it over and make such criticisms or suggestions as occur to you.

Yours very truly,



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

B.A.H.
NOV 29 1915

Memorandum showing how Federal Reserve Banks or
The Federal Reserve Board may influence interest rates in

The United States
* * * *

They can lower rates

They can raise rates

<p>(a) By lowering their rediscount rate to member banks;</p>	<p>(a) By raising their rediscount rate to member banks;</p>
<p>(b) By lowering their open market rates;</p>	<p>(b) By raising their open market rates;</p>
<p>(c) By lowering their reserve requirements;</p>	<p>(c) By raising reserve requirements, which the Federal Reserve Board can do indirectly</p>
<p>(d) By issuing Federal Reserve Bank Note currency against United States Bonds;</p>	<p>(d) By purchasing Government Bonds with circulation privilege but withholding the issuance of Federal Reserve Bank Notes against them;</p>
<p>(e) By actively buying bills, notes, acceptances, etc.</p>	<p>(e) By selling bills, notes, acceptances, etc.</p>
<p>(f) By not paying interest on excess deposits and letting money out pretty freely.</p>	<p>(f) By paying interest on excess deposits (i.e., above legal minimum) and hoarding the money.</p>

Withdrawing from market by allowing bills, hoardings etc to run off.

Domestic Exchanges

X
431

X
440

X
450

X
4230
410

X
440
X
421

X
240

44

FEDERAL RESERVE BOARD

WASHINGTON

November 28, 1916.

R.A. Fr.
DEC 4 - 1916

My dear ~~Mr.~~ ^{*Ben*} Strong:

I am sending you copy of a statement I made to the Board on the subject of the accumulation of gold, and the best way to accomplish it. I know that you do not share my doubts as to the wisdom of making Federal Reserve notes reserve, ~~and~~ ^{*but*} I should be glad to have you read the reasons I give for preferring another method of dealing with the problem.

Yours very truly,

Castro

Mr. Benj. Strong,
4100 Montview Blvd.,
Denver.

I have been intending to write you for a long time. Things have been quite strenuous of late!
FAD

EX-OFFICIO MEMBERS

WILLIAM G. MCADOO
SECRETARY OF THE TREASURY
AIRMAN
JOHN SKELTON WILLIAMS
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

W. P. G. HARDING, GOVERNOR
PAUL M. WARBURG, VICE GOVERNOR
FREDERIC A. DELANO
ADOLPH C. MILLER
CHARLES S. HAMLIN

H. PARKER WILLIS, SECRETARY
SHERMAN P. ALLEN, ASSISTANT SECRETARY
AND FISCAL AGENT

ADDRESS REPLY TO
FEDERAL RESERVE BOARD

November 27, 1916.

To the Federal Reserve Board,
Washington.

Gentlemen:

On May 10, 1916, I prepared for the Board a short statement dealing with Governor Hamlin's brief on the subject of note issue amendments. I took the position at that time that there were three amendments to the Federal Reserve Act relating to this matter which were very desirable:

- (1) The right to issue Federal Reserve notes directly for gold;
- (2) A consolidation or combination of the accounts of the Federal Reserve Agents and the Federal Reserve Banks so that we would have the responsibility of the Banks behind the custody of the notes, and not only that of the Federal Reserve Agent, so as to provide that the Reserve Banks shall show all notes outstanding in the hands of the public as a liability and all assets held against them as an asset of the Bank;
- (3) An amendment to Section 14, of the Federal Reserve Act which would liberalize the law in respect to collateral behind Federal Reserve notes by making eligible as collateral bankers' acceptances, or what is known as "bought paper", as well as commercial paper rediscounted for member banks.

I then took the position that if these three amendments were secured it would be neither necessary nor desirable to ask Congress to make Federal Reserve notes legal reserve.

Since that memorandum was written the third of the above mentioned amendments has been passed by Congress and another amendment has also been passed which has a very important bearing on the situation, to-wit: the authority to member banks to keep any part of their reserve with the Federal Reserve Bank, instead of in their own vaults. I still believe that the amendments suggested by me on May 10th are very desirable and that if they were passed it would not be necessary, at least at this time, to make Federal Reserve notes available as bank reserves. However, the proposal, so ably urged by my colleague, Mr. Warburg, is entitled to the most careful consideration, first, as to the desirability of the object sought, and, second, as to whether there is any better means of attaining it.

First, as to the object sought. It appears to be Mr. Warburg's desire to impound in the Federal Reserve Banks a very large share of the country's gold supply, whereas I rather question the desirability of going too far in that direction. My feeling is that, under the changes in the law which I have suggested, we would have little difficulty in accumulating in the Federal Reserve Banks half of the gold stock of the country not in the hands of the Federal Government. If the other half were in the hands of the public and in those of member and non-member banks it would be where it could serve an important purpose as a sort of secondary reserve supply which would be called upon in case of great need. If our banking system was

under a strong central management, and the form of our Government was like that of the German Empire, I can readily see where it would be natural and perhaps desirable to act on Mr. Warburg's suggestion, but, considering the form of our Government, the temperament of our people, and the dangers of over-expansion and over-speculation, I think we should not put all of our golden eggs in one basket.

We all recall that the panic of 1907 came as a climax to several years of great expansion in expenditures in all kinds of business enterprises, a period of ten or eleven years of pyramiding upwards almost without interruption. Six months before the panic came many wise men thought that things looked "squally", and yet the temptation to keep on stretching bank resources to the limit was too strong even for them to resist. For this and other reasons I can not help feeling that there is danger in putting all the elasticity in the Federal Reserve Banks and not leaving a reserve of elasticity in the banks of the country. Of course, I am aware it is somewhat inconsistent to say that a balance with the Reserve Bank shall be counted as a reserve, whereas, the notes of the Bank can not be so counted. I am also aware of the fact that as time goes on bank balances are going to play a greater part than Federal Reserve notes; that when our check clearing and collection plan is fully developed, member banks will care less about drawing out Federal Reserve notes, and more about transferring balances by drafts and

checks, On the other hand, the use of Federal Reserve notes will be always greatest in the parts of the country where there is the greatest necessity for caution; in those parts of the country where other credit instruments play a smaller part and where actual currency plays a larger part.

I can see that if we do not make Federal Reserve notes reserve and if we permit, say one-half of the gold holdings of the country to remain in the hands of member and non-member banks, we may sometimes reach a point where a Federal Reserve Bank has exhausted its unpledged gold supply and can not issue any more notes. Member banks, coming to their Federal Reserve Bank to borrow will, in such a case, complain that "the well has run dry", but when that time comes the Federal Reserve Bank will say to those member banks, "If you have gold in your reserves and will deposit it with us we can help you, because we can immediately expand that gold in the ratio of 1.625 to 1, and we can hold your gold to count as reserve and still help you with currency or book credits."

I agree entirely with Mr. Warburg's argument that we should put ourselves in a position to release gold freely when the European war is over. For us, as a nation to have accumulated through a favorable trade balance an enormous fund of gold and then attempt to put the bars up and so prevent the world's supply of gold from seeking its natural level would be absurd and even monstrous.

Such action on our part might very properly lead to a demonetization of gold, but I can not conceive that gold will go out of the country except in four ways; first, by a reversal in the balance trade; second, by the spending of money in Europe by Americans; third, by remittances to Europeans by Americans and immigrants; fourth; by loans to Europe.

There are some other general reasons against making Federal Reserve notes reserve which might also be mentioned. It is bad education for the public to let it imagine that a note of a bank is reserve because Congress says it is reserve. The fundamental reliance of our whole structure is the gold, or metallic basis behind our currency. While it is true that the Government guarantees the notes, every one of us will take the position that the notes must be secure, without leaning upon the Government and without even suggesting that the Government shall ever be called upon to make them good. The Government supervises their issue, must be satisfied that the security and the reserve behind them is ample and sufficient, but it was never seriously meant that the Government was going to tax the people to pay these notes.

Viewed from this aspect, it isn't good economics for Congress to say that "greenbacks", or any other kind of notes that are not based on the deposit of 100% of gold can be called the ultimate reserve of member banks. The fact that we have taken some wrong steps in this direction in the past does not at all justify our doing it again. The greenback is simply the promise of the Government with a gold security of approximately 35%; the national bank note besides being the obligation of the issuing bank is security of the Government, as attested by the deposit of the United States bonds and has a gold reserve of only 5%. The Federal Reserve note has 100% of commercial paper as collateral, and 40% or more of gold reserve behind it, besides which it has the guarantee of the Federal Reserve Banks, the member banks, and the Government. No one of these three kinds of currency can properly be considered ultimate reserves, and they are unquestionably good and ought to be in every sense legal tender. It appears inconceivable that they should not be absolutely good at all times and readily acceptable by the people in all sorts of transactions as a substitute for actual specie. When it comes to

- 7 -

international transactions, gold, or its equivalent only, can be used, but in all intra-national transactions there is no reason why these various representatives of money should not perform all the functions, except those of being ultimate reserves. The fact that state banks are permitted to use national bank notes and reserve notes as reserves and actually do so, only accentuates the necessity of keeping the ultimate reserves inviolable.

The object which Mr. Warburg seeks to attain - of securing a much larger share of the ultimate reserves of the country in the hands of the Federal Reserve Banks - might be attained in another and possibly less dangerous way if the Federal Reserve Act were so amended as to state only those reserves which member banks must carry with their Federal Reserve Bank, stating in so many words that the specie and currency which any bank shall carry in its own vault, or till, will be left to its own judgment. The ultimate reserves, in other words, will be with the Federal Reserve Bank. The advantage of this method to the member bank would be that the many kinds of currency in its possession, as well as specie, would serve its purpose equally well - gold or silver certificates, greenbacks, national

bank note currency, Federal Reserve notes, or Federal Reserve Bank notes. What the reserves should be is necessarily a matter of study and calculation, but suppose, for example, we should start out with the proposal that country bank reserves held with the Federal Reserve Bank should be 8%, the member banks in reserve cities should hold 12%, and the member banks in central reserve cities should hold 15%. In this connection it is proper to mention that under the laws of a number of states the required cash reserves is left entirely in the judgment of the banker, and in European countries it is the custom to let bankers use their own discretion as to the cash reserves they shall hold. While it is not suggested that this discretion apply to the entire reserves, it is thought that it can be safely applied to the bank's own counter cash and vault requirements.

This may not be the best solution of the problem, yet it is at least worthy of consideration. If, on the other hand, Mr. Warburg's plan is adopted, he, himself, admits that it would be desirable to keep, not 40% of gold behind Federal Reserve notes, but 60% or 70%. Indeed, it is probable that it would be necessary to change the law in regard to ultimate or gold reserve behind Federal Reserve notes and to raise the limit below which a penalty, or tax, shall apply to, say 50%.

- 9 -

There are other ways in which, without any Congressional action, much might be accomplished to put the gold of the country in the hands of the Federal Reserve Banks and member banks, rather than by leaving it where it will be hoarded by people, or used for everyday currency; that is, by readjusting the denominations of gold and silver certificates and other forms of currency. As it has been pointed out several times, if gold certificates were not printed in denominations less than \$50, gold certificates would rarely appear as currency, and become, as they should be, almost exclusively reserve money.

From the above, it will appear that, while I am not favorable to the plan of making Federal Reserve notes reserve, I am not opposed to a limited extent, at least to the object Mr. Warburg has in view, to wit: the greater concentration of gold in Reserve Banks.

Respectfully submitted,

F. A. DILANO.

and investing it in the
Bonds of Foreign Countries
and your investing my
balance in that way.

I wish very much I could
talk with you about the
situation - You realize
how unwelcome I was to do
anything that looked like
a slap at the Allies. Unfor-
tunately, Kent of the Bankers
in his Acceptance Circular
and Davison by his actions
and methods rather forced
the issue - I did my best

1128 SIXTEENTH STREET
WASHINGTON, D.C.

12.17.16
JAN 3 1917

44
Dec 19th 1916

Dear Ben

I can kill two birds with
one stone - wish you the
seasons best greetings and
at the same time answer your
last letter (Dec 11th) and in part
make up for past negligence.

To answer your question first,
The Comptroller's Report showed
approximately 300 million
European Securities held by Nat^l
Banks at the latest Report -
Not in itself an alarming showing

although it can be improved.
that Trust Co's affiliated with
National Banks hold consi-
derable more - From State-
ments of State & Nat^l Bks in Sept.
ember it appears that the hold-
ings of securities of various
kinds (Bonds & Stocks which in
the case of Nat^l Banks is mostly
Bonds) all slow stuff, have in-
creased from 2,800 million
to over 4,000 million. The
increase of 1,200 million
being about equally divided.
We assume that the placings
of securities of Belligerents

and non Belligerents
have amounted to at
least 2,000 million and
that the selling back of
American securities have
been say 1,500 million,
perhaps more, but it is
reasonably sure that a
good share of this 3,500
million remains "undiges-
ted" and not in the hands
of the ultimate investors.
That is where the danger lies.
There is a great difference
between my drawing my
balance out of your bank

Davison's visit (which was Saturday). We had intended discussing with them the French revolving Credits about which we had wired & written the F.R.B's - but in view of the situation we took up that and the English Treasury Notes. - They considered the matter and brought back the unanimous recommendation ~~that~~ (10 members present) counselling caution and advising that the Board issue a careful statement to the member banks. - I strongly

in our Conference ^{II} (6 members) with Davison, 1128 SIXTEENTH STREET WASHINGTON, D.C. to make him see the light and suggest something reasonable, - but he adhered to his original statement that he proposed to issue the notes or rather sell them over the counter just as rapidly as the market would take them and without limit but as he supposed half a billion or a billion. My suggestion that I could see no objection to a moderate issue one or two hundred million he brushed aside -

He said several times he
asked no favors, wanted
no approval simply came
as a matter of courtesy.
He was too proud, I dare
say, to suggest that he
wanted to be guided by our
advice, but I think he would
have succeeded far better if
he had taken that attitude.
He called on the President
and we suppose told him
much the same story but
perhaps more briefly & with

less questioning - He return-
ed to N.Y. and at once the
papers were full of the Grand
Plan which was to save us
the great embarrassment of
taking so much gold - The
yellow peril having been previous-
ly pictured as a serious menace.
The inference was natural,
and Dawson certainly did no-
thing to avert it, that Dawson
had consulted the F.R.B'd &
The President and his plan had
been approved - Fortunately
for the Board the Advisory Council
met in Washington on ^{the} Monday after

truly about Amendments
which we are in hopes to get
in final shape tomorrow.

I am afraid I must
stay here till March 4th
but after that I hope I
can ship out to Denver as
you suggest, thence to
Dallas etc

Aiken gave us good accounts
of you and we had a fine
meeting with the Governors,
as well as with the Reserve Agents,

^{the}
urged printing the statement only
in the Bulletin 1128 SIXTEENTH STREET
WASHINGTON, D.C. and I think that
course would have prevailed if
J.P.M & Co had not again forced
our hand. In response to a
Yphone request from Harding
La Monte speaking for the
union said they could not
delay their plans, that they
were proceeding with their
Circulars etc instantly. —
I can see that if you
had been in N.Y. on the job
you could have acted as

an intermediary and
held Dawson in check
and at the same time
satisfy the fears of the
Board — I say fears

of the Board advisedly —

There is no doubt that four
or five were really alarmed
and the rapidly advancing
prices of necessaries of life
and the ~~high~~ hue & cry that
aroused, all tended to feed

the flames: —

So much for that. If
Mr Adoo had been here, I think
he would have tempered things
a little — but I am not too
sure of that either —

Mr Adoo sat with the Id
today for the first time since
Aug 9th or 10th! — We passed
a Resolution authorizing the
Arrangement with the Bank of Eng.
land & — without qualification
about transacting no business.
We talked long and exhaust.

IV.

the week previous - Harding
is a great improvement as
Governor and things are
really going better. —

1128 SIXTEENTH STREET
WASHINGTON, D.C.

We have 6 inches of
snow here and 20° F.
so you see we think it
is winter. —

We have very bad news
about Harris. Hemorrhage
of the bowels so Pettie
wires! — The first we

heard a month ago
was a dilated heart,
suddenly this! —

Jay is on the sick list
with bronchitis — He
looks badly —

Mrs Deane joins me
in warmest good wishes
and I am

Yours very sincerely
Frederick Deane

P.S. The hour is late
I will ask you to excuse
mistakes and want of
proof-reading —
FAD

C O P Y

Dec. 19th, 1916

Dear Ben:

I can kill two birds with one stone -- wish you the seasons best greetings and at the same time answer your last letter (Dec. 11th) and in part make up for past negligence.

To answer your question first, the Comptroller's Report showed approximately \$300 million European securities held by National Banks at the latest Report -- not in itself an alarming showing, although it can be inferred that Trust Companies affiliated with National Banks hold considerably more. From Statements of State and National Banks in September, it appears that the holdings of securities of various kinds (bond and stocks which in the case of National Banks are mostly bonds) -- all slow stuff-- have increased from \$2.800 million to over \$4.000 million. The increase of \$1.200 million being about equally divided. We assume that the placings of securities of belligerents and non-belligerents have amounted to at least \$2,000 million and that the selling back of American securities has been, say, \$1,500 million, perhaps more, but it is reasonably sure that a good share of this \$3.500 million remains "undigested" and not in the hands of the ultimate investor. That is where the danger lies. There is a great difference between my drawing my balance out of your bank and investing it in the bonds of foreign countries and your investing my balance in that way. I wish very much I could talk with you about the situation. ¶ You realize how unwilling I was to do anything that looked like a slap at the Allies. Unfortunately, Kent of the Bankers in his Acceptance Circular and Davison by his actions and methods rather forced the issue. I did my best in our Conference (6 members) with Davison, to make him see the light and suggest something reasonable, but he adhered to his original statement that he proposed to issue the notes or rather sell them over the counter just as rapidly as the market would take them and without limit but as he supposed half a billion or a billion. My suggestion that I could see no objection to a moderate issue one or two hundred million we brushed aside. He said several times he asked no favors, wanted no approval, simply came as a matter of courtesy. He was too proud, I dare say, to suggest that he wanted to be guided by our advice, but I think he would have succeeded far better if he had taken that attitude. He called on the President and we suppose told him much the same story but perhaps more briefly and with less questioning. He returned to N.Y. and at once the papers were full of the grand plan which was to save us the great embarrassment of taking so much gold -- the yellow peril having been previously pictured as a serious menace. The inference was natural, and Davison certainly did nothing to avert it, that Davison had consulted the F.R. Board and the President and his plan had been approved. ¶ Fortunately, for the Board, the Advisory Council met in Washington on the Monday after Davison's visit (which was Saturday). We had intended discussing with them the French revolving credits about which we had wired and written the F. R. Banks, but in view of the situation we took up that and the English Treasury Notes. They considered the matter and brought back the unanimous recommendation (10 members present) counselling caution and advising that the Board issue a careful statement to the member banks. I strongly urged printing the statement only in the Bulletin and I think that course would have prevailed if J. P. M(organ) and Co. had not again forced our hand. In response to a phone request from Harding, Lamont speaking for Davison said they could not delay their plans, that they were proceeding with their circulars, etc. instantly. I can see that if you had been in N.Y. on the job you could have acted as an intermediary and held Davison in check and at the same time satisfy the fears of the Board. I say fears of the Board advisedly. There is no

doubt that four or five were really alarmed and the rapidly advancing prices of necessaries of life, and the hue and cry that aroused, all tended to fuel the flames.

So much for that. If McAdoo had been here, I think he would have tempered things a litte -- but I am not too sure of that either.

McAdoo sat with the Board today for the first time since August 9th or 10th! We passed a Resolution authorizing the arrangement with the Bank of England, without qualification about transacting no business.

We talked long and exhaustively about Amendments which we are in hopes to get in final shape tomorrow.

I am afraid I must stay here till March 4th, but after that I hope I can slip out to Denver as you suggest, thence to Dallas, etc.

Aiken gave us good accounts of you, and we had a fine meeting with the Governors, as well as with the Reserve agents, the week previous. Harding is a great improvement as Governor and things are really going better.

We have 6 inches of snow here and 20 degrees F. So you see we think it is winter.

We have very bad news about Kains -- hemorrhage of the bowels, so Perrin wires! The first we heard a month ago was a dilated heart, suddenly this!

Jay is on the sick list with bronchitis. He looks badly.

Mrs. Delano joins me in warmest good wishes, and I am

Yours very sincerely,

(Signed) FREDERIC A. DELANO

P.S. The hour is late. I will ask you to excuse mistakes and want of proof-reading.

FAD

Personal File
H

FREDERIC A. DELANO
288 TREASURY BUILDING
WASHINGTON, D.C.

R.A. Fr.

MAR 3 1917

February 27, 1917.

My dear Ben

I duly received your letter of February 19th on my return from a week spent in Chicago, where I went to testify in a railroad law suit. The only reason I am dictating a reply to you now is that I am afraid that if I waited to give you a longhand reply. I might keep you waiting too long.

To put the thing very briefly, while I think that there is some reason for your feeling as you do, the facts and conditions do not really justify it. I think that there have been some influences at work, both inside the Board and outside the Board ^{*} in the direction you very naturally object to. I think likely that I am the most extreme person of the Board on your side of this question. The most effective on the other side is *Harding*. However, in taking the view he does on this question he is very largely affected by the treatment which he has received ^(or imagines he has received) from bankers since he has been on the Board and by the attitude of some of the Governors in their letters to him. *Warburg* would, I think, say that he agreed absolutely with you. I think he does in theory.

* *By Harding, McAdoo, Williams - probably Willis and certainly Glass. How low acquiescing also in a different way Miller!*

In practice and by nature he likes to have his finger in about every pie and likes to more or less run the Banks. *The fact that he is very influential* ~~This~~ undoubtedly causes some annoyance for the other members of the Board.

But, speaking very frankly, I want to put your mind at rest as to the ultimate result of the development of things. I think it will be that there will be twelve Federal Reserve Banks, each entirely autonomous, and the only connection to secure cooperation and uniformity of methods will be ~~the~~ *through* cooperation brought about through the Federal Reserve Board. At times men connected with the Board have argued, and even stated publicly, that the Federal Reserve System was in fact a central banking system, with twelve important branches, but I do not believe that the Federal Reserve Board itself can be so constituted as to perform the functions of a central bank and I think, if it could, it would be dangerous and lead to vicious attacks in Congress.

Some unfortunate things have happened in our relations with the New York Federal Reserve Bank.

McAdoo's playing politics
~~McAdoo's~~ [^] was very largely responsible for them, but I think the officers of the Federal Reserve Bank were also to blame, not the least, perhaps, our mutual friend *Jimmie Curtis*.

The Governors have, individually and collectively, been very severely criticized at different times, and there is an impression that the Governors regard the Board with a feeling of mixed pity and contempt. I suppose I have, more than any other member of the Board, opposed that view. At the same time things have happened which have been difficult for me to either explain or defend.

I would say, without hesitation, we have greatly missed you in New York; I think you would have had a better appreciation of the situation, and could have adapted yourself to it more readily. I feel also that it has been unfortunate for us that you have naturally had to get your impressions of what the Federal Reserve Board was doing very largely from reports of your Bank officers. I have not written as often as I would have liked to simply because I didn't want to dictate letters, and couldn't seem to find time to write long-hand.

Of course, the war situation and the general excitement due to that has been one thing which has effected seriously the normal development of the Federal Reserve System. I believe though that we are going to make progress, and I want to see you still associated with that progress. There is a good deal

that I could say if I were talking with you which would throw light on the whole matter, which I couldn't say in a letter, and unless matters connected with the war make it impossible, I am planning to leave for the West about the middle of March to visit Chicago, St. Louis, Kansas City, Denver, Dallas, Atlanta, and Richmond. This would probably bring me to Denver about the 22nd or 23rd of March.

Take my word for it and keep cool - The Board should not be blamed for everything - Even the pending amendments, for example, foreign branches, is not the Board's but McAdoo's -

With sincere good wishes, I am

your friend
Bradford M. Hanson

FREDERIC A. DELANO

288 Treasury Building
Washington, D. C.

February 27, 1917

My dear Ben:

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But, speaking very frankly, I want to put your mind at rest as to the ultimate result of the development of things. I think it will be that there will be twelve Federal Reserve Banks, each entirely autonomous, and the only connection to secure cooperation and uniformity of methods will be through cooperation brought about through the Federal Reserve Board. At times men connected with the Board have argued, and even stated publicly, that the Federal Reserve System was in fact a central banking system, with twelve important branches, but I do not believe that the Federal Reserve Board itself can be so constituted as to perform the functions of a central bank and I think, if it could, it would be dangerous and lead to vicious attacks in Congress.

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LONGHAND ADDENDUM: Take my word for it and keep cool. The Board should not be blamed for everything. Even the pending amendments, for example, foreign branches, is not the Board's but McAdoo's.

With sincere good wishes, I am

Your friend,

(Signed) FREDERIC A. DELANO

FEDERAL RESERVE BOARD

WASHINGTON

March 15, 1917.

My dear Ben

My contemplated trip, unless interfered with by the European war or a railroad strike, will begin tomorrow the 16th. I am planning to stop at Chicago, St. Louis, Kansas City, and shall reach Denver on Union Pacific train No. 119 at noon Friday, the 23rd. Of course, I am liable to be called back at any time, so you may not see me, but, if all goes well, I shall spend Friday and Saturday with you, leaving for Dallas on Colorado and Southern train No. 8 at 11:15 Saturday, the 24th.

Yours very truly,

Lawrence

Mr. Benj. Strong, Jr.,

Denver, Colo.

CLASS OF SERVICE	SYMBOL
Day Message	
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 day message. Otherwise its character is indicated by the symbol appearing after the check.

WESTERN UNION



TELEGRAM

NEWCOMB CARLTON, PRESIDENT

CLASS OF SERVICE	SYMBOL
Day Message	
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 day message. Otherwise its character is indicated by the symbol appearing after the check.

RECEIVED AT

1917 MAR 20 PM 3 49

A507KS 68 GOVERNMENT
 BENJAMIN STRONG JR

DUPLICATE OF TELEPHONED TELEGRAM

KANSASCITY MO 430P 20
1150

Fone No. YK 1305
 Foned to Benjamin Strong
 Time WILL CALL
SHR
 to be filled

4100 MONTVIEW BOULEVARD DENVER COLO

SHALL REACH DENVER UNION PACIFIC TWELVE TWENTY NOON FRIDAY PERIOD
 MISTER MALONE DIRECTOR HERE ANXIOUS TO HAVE MEETING OF PRESIDENTS
 OF DENVER NATIONAL BANKS ALSO OF M D THATCHER PUEBLO PERIOD
 I HAVE TOLD HIM HOWEVER THAT I WOULD LEAVE THIS ENTIRELY TO YOUR
 JUDGMENT IN CASE YOU THINK A LUNCH MEETING FRIDAY ADVISABLE
 F A DELANO.

SERVICE	SYMBOL
Message	
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 day message. Otherwise its character is indicated by the symbol appearing after the check.

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

CLASS OF SERVICE	SYMBOL
Day Message	
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 day message. Otherwise its character is indicated by the symbol appearing after the check.

RECEIVED AT

1917 MAR 21 PM 3 44

B 201KS 58 GOVT DUPLICATE OF TELEPHONED TELEGRAM

KANSASCITY MO 415P 21

BENJAMIN STRONG JR 972

4100 MONTVIEW BLVD DENVER COLO

Handwritten: k1355
Mrs C
362 to be
to be

YOUR MESSAGE MALONE HAS MADE NO ARRANGEMENTS BUT WILL BE ON TRAIN WITH ME FROM HERE TO DENVER PERIOD WILL LEAVE MATTER ENTIRELY IN YOUR HANDS PERIOD IT IS SUGGESTED THAT IF DENVER BANKERS ARE INVITED M D THATCHER OF PUEBLO SHOULD BE INCLUDED

F A DELANO,

FREDERIC A. DELANO
266 TREASURY BUILDING
WASHINGTON, D.C.

F.A.D.

APR 6 1917 April 2, 1917.

My dear Ben

I got back yesterday forenoon, after my somewhat strenuous trip. The journey to Dallas was somewhat slow and tedious, but I spent two days very satisfactorily at Ft. Worth and Dallas - two thriving towns thirty miles apart.

The increase in wealth in the Middle West in the last five years has been something stupendous; the banks that used to be large borrowers are now actually lending money to others less fortunate.

However, no part of my visit was more satisfactory than my visit with you in Denver. I hear that your Mother is here in Washington and I shall give myself the pleasure of calling on her tomorrow and giving her the latest news about you. All the members of the Board are very pleased to hear the good accounts I had to give them of you, and they were glad of the prospect of seeing you back on the job in June. This is always providing you don't overstrain yourself on the golf links and find that you have to stay longer.

Excuse type and believe me

Very sincerely yours

Federic A Delano

Mr. Benj. Strong, Jr.,
Denver, Colo.

Latest! - The President's Address makes me nodding! F.A.D.

R.A. Fr.

APR 17 1917

April 10, 1917.

My dear Mr. Jones:

I beg to acknowledge receipt of your letter of the 6th instant, just received, and I note your suggestion.

This matter of allowing smaller banks to charge exchange has had a good deal of consideration, but the feeling has been very generally expressed that it would be very difficult under the law to give this privilege to small banks and not thereby give it to all. The business world would be up in arms if one-tenth of one percent were charged on all checks, although they might cheerfully acquiesce if this charge were made on small country checks only.

It is sometimes argued that if a law was passed allowing one-tenth of one percent to be charged as a maximum, only the small bankers would avail themselves and that such action would compel the large bankers to absorb this expense. On the other hand, I am not at all sure that this is true, as we have had an instance in St. Paul and Minneapolis where bankers who have never charged anything to their customers are now charging five, ten and twenty cents on various checks, and basing this charge on the strength of

the service charge of $1\frac{1}{2}\%$ per item, made by the Federal Reserve Banks.

The theory upon which the Board is proceeding in this matter is that a check is an order to pay currency at the counter of the bank; that if the bank is reimbursed for remitting currency to the Federal Reserve Bank, it cannot complain. If it elects to remit offsetting items, it has been granted something in the nature of a privilege, and it does so because it prefers to do that rather than to ship currency.

There is another way of looking at this matter: The check system of the United States is a strictly American development, avoiding the expense and cumbersomeness of issuing bank notes. If we did business as it has been done for years on the continent of Europe, and an individual or corporation having an account with you would go to your bank, call upon you for a certain sum of bank notes, with which to pay current accounts and bills, you would deliver the bank notes, bearing all the expense of printing, and after these notes had performed their function in paying bills, they would promptly flow back to your bank for redemption. This process is not only less convenient to the business man, but is more expensive to the bank than is the bank check; and so true is this that both

France and Germany today are doing everything in their power to encourage the use of the bank check. England, as you know, has long used the check system, although even in England it is not used to anything like the extent to which it is used in this country.

Banks suffer one form of loss through charging exchange, the extent of which it is impossible to make even a guess at; that is, the loss due to the unwillingness of business men to keep accounts with such banks. I believe this loss is so important that it would go a long way towards making up for the diminished profits due to not charging exchange. At the present time in Washington, D. C., I am administering a special fund which I have to keep, at some inconvenience to myself, in New York, because checks drawn upon Washington are not accepted at par in other cities. And yet, the banks in Washington, while on the one hand charging exchange, are, on the other hand, doing all they can to solicit accounts.

There is one feature of the check collection system in the past in which the Federal Reserve Board is trying to bring about a reform. That is the matter of drawing against checks before they have been collected and before the funds are available. If, instead of opposing the Federal Reserve Clearing System, the banks and bankers of the country would

get behind the Board in its campaign of education and try to get the state banks to co-operate, it would, it is true, cut off some slight profits in exchange, but as against this we would introduce safe and better banking methods. I refer particularly to the custom of nearly fifty years, of counting checks in transit in the mails as "bank reserves" and the practice which is also common with depositors and heretofore permitted by banks, of drawing against uncollected funds. The Board has made a sharp distinction in its circulars on this subject between "immediate credit" and "immediate availability". If I deposit miscellaneous checks to my account today, I want to be given credit for the deposit at once, but I ought to recognize that if I begin drawing against funds represented by some of these checks before the bank has had a chance to get returns on them, I should be penalized for so doing. But this is not an exchange charge; it is a penalty for drawing against uncollected funds.

Yours very truly,

(Signed) F. A. Delano.

Cy:  Mr. Strong.

Mr. Gordon Jones, President,
The United States National Bank,
Denver, Colo.

COPY.

The United States National Bank
of Denver,

April 6th, 1917.

Mr. F. A. Delano,
C/o Federal Reserve Board,
Washington, D. C.

Dear Mr. Delano:

Recalling our most delightful luncheon at the University Club when you recently honored Denver with a visit, and your request for information regarding the attitude of the banks generally in the matter of state banks joining the Federal Reserve System, beg to add to the remarks made by me on the occasion, that I have taken considerable pains in inquiring of those who are in position to know the attitude of the state banks throughout the far west and feel quite sure if the law is amended so as to permit a maximum charge of say 1/10 of 1% as exchange to be made by member banks that a large number of state banks would join the system. Not only that, but I believe the banks would generally favor amendments in such states where the laws now are prohibitive.

It seems to me that exchange is a legitimate source of earnings of a bank. Even the Government itself charges for transferring money from one point of the country to another by means of post office money orders.

I hope you will see your way clear to support the idea of permitting member banks to make an exchange charge along the line suggested.

Yours truly,

(Signed) Gordon Jones,

President.

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT

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ERL... & CRAMMER BUILDING
17TH STREET
DENVER, COLO.
TELEPHONE: MAIN 4800

TELEGRAM

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523

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18D-30696

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KWASHN DC APR 10 I7

BEN J STRONG JR

4100 MONTVIEW BLVD
DENVER

YOUR LETTERS FOURTH AND FIFTH RECEIVED AM TAKING UP BOTH MATTERS HOPE
FOR SUCCESS

DELANO

¹³⁰⁸
TELEPHONED

To West

By Le

Time 4:10 p

POSTAL TELEGRAPH-COMMERCIAL CABLES



OPERATOR'S NOTATIONS,
TIME SENT, ETC.

THE GREATEST TELEGRAPH AND CABLE SYSTEM IN THE WORLD. EXTENDS OVER TWO-THIRDS OF THE WAY AROUND THE EARTH.

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1. The Company shall not be liable for mistakes or delays in the transmission or delivery, or for non-delivery, of any UNREPEATED telegram, beyond the amount received for sending the same; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any REPEATED telegram, beyond fifty times the sum received for sending the same, UNLESS SPECIALLY VALUED; nor in any case for delays arising from unavoidable interruption in the working of its lines; NOR FOR ERRORS IN CIPHER OR OBSCURE TELEGRAMS.
2. In any event the Company shall not be liable for damages for any mistakes or delays in the transmission or delivery, or for the non-delivery of this telegram, whether caused by the negligence of its servants or otherwise, beyond fifty times the REPEATED telegram rate, at which amount this telegram, if sent as a REPEATED telegram, is hereby valued, unless a greater value is stated in writing hereon at the time the telegram is offered to the Company for transmission, and an additional sum paid or agreed to be paid based on such value equal to one-tenth of one per cent. thereof.
3. The Company is hereby made the agent of the sender, without liability, to forward this telegram over the lines of any other Company when necessary to reach its destination.
4. Messages will be delivered free within the established free delivery limits of the terminal office. For delivery at a greater distance a special charge will be made to cover the cost of such delivery.
5. No responsibility regarding messages attaches to this Company until the same are presented and accepted at one of its transmitting offices; and if any message is sent to such office by one of this Company's messengers, he acts as the agent of the sender for the purpose of delivering the message and any notice or instructions regarding it to the Company's agent in its said office.
6. The Company shall not be liable for damages or statutory penalties in any case where the claim is not presented in writing within sixty days after the telegram is filed with the Company for transmission.
7. The above terms and conditions shall be binding upon the receiver as well as the sender of this telegram.
8. NO EMPLOYEE OF THIS COMPANY IS AUTHORIZED TO VARY THE FOREGOING.

CHARLES H. ADAMS,
VICE-PRESIDENT.

CLARENCE H. MACKAY, PRESIDENT.
EDWARD REYNOLDS, VICE-PRES. AND GENERAL MANAGER.

CHARLES P. BRUCH,
VICE-PRESIDENT.

ERIC A. DELANO
888 TREASURY BUILDING
WASHINGTON, D.C.

16 - 44
NOV 2
November first
Nineteen seventeen
FILING DEPT.

My dear Ben:-

NOV 3 -

I am sending you under separate cover a copy of the book which I was showing you and which I have had rebound for you.

This is a rather interesting narrative of my maternal grandmother, written by one of my aunts. She and her husband lived at Northampton, Massachusetts, where some of your forebears came from, and the story, which is told in letters dating from 1820 to 1850, gives a rather interesting picture of the early days in Massachusetts.

Very sincerely yours,

Mr. Benj. Strong, Jr.,
New York City.

Eric A. Delano