

*a. H. P. Willis*

~~1914~~ - 1915 -

*Secretary  
Federal Reserve Board*

1914 - 1918

*Director of Division  
of Analysis + Research*

1918 - 1922

*Federal Reserve Board*

OFFICIO MEMBERS  
WILLIAM MCADOO  
SECRETARY OF THE TREASURY  
CHAIRMAN  
JOHN SKELTON WILLIAMS  
COMPTROLLER OF THE CURRENCY

# FEDERAL RESERVE BOARD

WASHINGTON

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

H. PARKER WILLIS, SECRETARY  
SHERMAN ALLEN, ASST. SECRETARY

ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

HS

FILING DEPT.

AUG - 2 1915

FEDERAL RESERVE BANK

July 13, 1915.

Sir:

By direction of the Federal Reserve  
Board I enclose copy of a brief filed with ~~Loose in file~~ attached  
the Board by Mr. H. R. Fowler; and would ask  
that you give it consideration, making such  
comment thereon as you may deem best.

Respectfully,

*H. Parker Willis*  
Secretary.

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

Enclosure.

RECEIVED

JUL 15 1915 8 36 AM

FEDERAL RESERVE BANK  
OF NEW YORK



# THE Industrial News

The Condition of Labor Is the Condition



of the Nation Itself—Woodrow Wilson

VOL. IV. NO. 1.

(Published 44 Years Under Other Titles.)

NEW YORK, SATURDAY, JULY 10, 1915.

SUBSCRIPTION, \$1.00 PER YEAR, 2 CENTS A COPY.

## An Open Letter to the Governor and Members of the Federal Reserve Board

Washington, July 9, 1915.

On behalf of Labor's National Peace Council the undersigned respectfully submits for consideration and action on the part of your honorable board the complaint and petition following:

The declaration of every neutral government in Europe made since the beginning of the present war as contained in the proclamation and decrees issued by each and all of the aforesaid neutral governments show that every one of these countries has forbidden the export or sale of munitions of war, explosives, food stuffs, metals, horses, mules and other supplies to any of the belligerent nations.

Furthermore, all of these neutral governments have scrupulously refrained from affording aid in money to any of the belligerents, and each European neutral government has expressly forbidden any bank or banking institution having any relation to or connection with the government, or which receives or is entitled to receive governmental aid, directly or indirectly, from making advances or loans of money to a belligerent government or its representatives.

The attitude and policy of these neutral European governments, as above recited, reflects a proper obedience to and respect for certain well-known and thoroughly established high principles of international law, which may be stated as follows:

A. The government of a neutral nation

The members of the said firm of J. P. Morgan & Co. further represented to officers of the governments of Great Britain, France and Russia that the said firm of J. P. Morgan & Co., and certain individuals and corporations, business associates of the firm, in the event of J. P. Morgan & Co. were employed as agents, were in a position to, and would furnish a large number of vessels and ships for use as transports in the service of these governments, in carrying and transporting the war munitions, materials and supplies to be purchased and paid for with the proceeds of the credits hereinafter referred to.

After prolonged personal negotiations between members of the firm of J. P. Morgan & Co. and representatives of the governments of Great Britain, France and Russia, and in furtherance of the conspiracy, as herein charged, a series of agreements were entered into between the firm of J. P. Morgan & Co. and representatives of the governments of Great Britain, France and Russia, under which the proposals of the firm of J. P. Morgan & Co. were accepted and the terms and conditions of their employment and authority as agents, together with their compensation, defined and fixed.

Following consummation of the agreements as aforesaid, the firm of J. P. Morgan & Co., with the aid and assistance of certain officers and directors of Federal Reserve and member banks as hereinbefore specified

## Germany CANNOT Yield Until We Bring Britain to Terms, Says Hannis Taylor

THE following dispatch from Hannis Taylor gains added weight from the fact that he was formerly Minister to Spain and special counsel of the State Department, and is one of the greatest authorities on international law in the world:

Let us not deceive ourselves with illusions. Germany has her back to the wall; she is fighting for her life; she cannot make the concessions we demand as to her submarine warfare, no matter how illegal it may be, unless we compel Great Britain—and we can—to make such modifications in her illegal blockade as will render such concessions upon the part of Germany possible.

Who is so blind as not to see that through such a course of action lies our only path to peace?

We cannot hope to make a friendly settlement with Germany until we first bring Great Britain to terms, and that can only be done through the action of the Congress of the United States.

There never has been a moment in our history when the assembling of the great council of the nation was more imperatively necessary.

The time is rapidly approaching when we must either place ourselves in a state of war with Germany or accept a rebuff at her hands. The decision of the question of war or peace is vested by the Constitution in Congress alone, and no other authority should venture to exercise it.

I believe firmly in representative government. It was devised as a substitute for autocratic rule, and it is a good substitute. I have an abiding faith in the wisdom, patriotism and sense of justice of the American Congress, to whose counsel at this critical moment the people of the United States are entitled.

I have no sympathy whatever with the suggestion made loudly in certain quarters that it is dangerous at such a time to trust to the discretion of the representatives of the American people. There should be an urgent and a nationwide demand for the immediate convocation of Congress.

## Charges Open Violation of the Neutrality Laws

Labor's National Peace Council Cites Instances of Breaches of International Agreement.

Washington, D. C., July 8, 1915.  
Hon. Robert Lansing,  
Secretary of State,

Washington, D. C.:

My Dear Mr. Secretary—In compliance with your honor's suggestion to our committee of Labor's National Peace Council, we beg leave to submit the following charges that there are certain steamships, now loading at the port of New York in violation of the neutrality laws as follows:

I.—The steamship City of Chicago, now at pier 63, North River, New York, is a transport in the service of the British Government, and is about to sail for Swansea, Wales, with a cargo of ammunition for the British Government.

II.—The steamship Lord Erne is now about to sail from pier 81, Hudson River, New York, with a cargo of ammunition, automobiles and other war supplies, intended for the British and French Governments. This ship is a transport in the service of the British and French Governments.

III.—The steamship Masurian, now at the Bush Docks, port of New York, is being fitted up with accommodations for 1,500 horses, the same to be shipped from Newport News, Va., to France, for delivery to military lines of the British and French Governments. This ship is a transport in the service of the French and British Governments.

an offensive expedition, and in which it finds a refuge at need.

"The supply in any manner," says article 6 of the XIIIth convention of the second Hague Conference, "directly or indirectly, by a neutral power to a belligerent power, of warships, ammunition, or war material of any kind is forbidden."

This would have prevented the sale of discarded arms by the United States Government to the French during the Franco-German war of 1870. Although this sale began before the outbreak of hostilities, its continuance afterward was unjustifiable.

During the Russo-Japanese war several merchant steamers of the North German Lloyd and of the Hamburg-American Steamship Lines were sold to the Russian Government and at once enrolled in the Russian navy as second class cruisers. Hershey says of this that "in view of the close and intimate relations which subsist between these companies and the German Government, the sale and delivery of such vessels would seem to be impossible without the consent or connivance of that government, and it can hardly be contended that such consent or connivance could be given without a serious breach of obligation."

Article 8 reads that:

"A neutral government is bound to employ the means at its disposal to prevent the fitting out or arming of any vessel within its jurisdiction which it has reason to believe is intended to cruise or engage in hostile operations against a power with which that government is at peace. It is also bound

sale of any material or supplies of any description intended for use of a belligerent government at war.

C. The government of a neutral nation must not permit ships or vessels in the service of a belligerent government at war to receive in the harbors of the neutral country any supplies, equipment or materials intended for use of a belligerent government at war, except that necessary repairs may be made to a ship or vessel in the service of a belligerent government, and such vessel may receive and secure, in the harbor of a neutral nation, water, provisions and coal sufficient only for a voyage to the nearest foreign port.

We charge that through the medium of an extensive conspiracy, composed of certain bankers and officers and directors of Federal Reserve banks and member banks embraced in the Federal Reserve system, acting in conjunction with officers and agents of the governments of Great Britain, France and Russia, the United States has been involved in very grave and serious breaches of neutrality, as defined in paragraphs A, B and C above mentioned.

The persons chiefly responsible for and the dominant factors in this conspiracy are the members of the firm of J. P. Morgan & Co., and certain other persons now serving as officers and directors of various Federal Reserve banks and member banks, who secured these positions through the influence of the firm of J. P. Morgan & Co. or other business allies of said firm, or who are subject to and under control of its influence.

The members of this firm, as early as August, 1914, in furtherance of the conspiracy, began making personal representations to officers of the governments of Great Britain, France and Russia to the effect that in the event said governments would employ the firm of J. P. Morgan & Co. as agents said firm would provide facilities in the United States which would enable one or more of these governments to obtain in the United States credits to the amount of at least five hundred million (\$500,000,000) dollars, said credits to be based upon and secured by obligations of one or more of said governments, or by securities of American Federal, State and municipal governments or railroad and industrial corporations, as might be best available and procurable by or on behalf of the governments of Great Britain, France and Russia. The proposal provided that the proceeds of credits to be obtained as aforesaid were to be applied and used under the direction of the said firm of J. P. Morgan & Co. for the purpose of purchasing in the United States supplies of munitions of war, metals, horses, mules, clothing, food products, automobiles, submarines, aeroplanes and other supplies for use of the aforesaid foreign governments.

First, The procurement from various member banks, including the First National Bank, National City Bank, National Park Bank, National Bank of Commerce and other banks and banking institutions in the city of New York, and from various banking institutions throughout the country, all of whom were member banks, included in the Federal Reserve system, loans, discounts and money advances and credits, amounting in all to more than two hundred million (\$200,000,000) dollars. In a large number of these transactions it was made to appear that the same represented bankers' foreign bills of exchange and acceptances, innocently drawn in the regular course of legitimate business by J. P. Morgan & Co., whose members were, and are, parties to the conspiracy.

In a still greater number of said transactions the method pursued by the conspirators was to secure loans from member banks in behalf of one or more of their number, the collateral for the loans being stocks and bonds of various domestic corporations and bonds issued by different cities and States.

Second, There have been furthermore obtained from Federal Reserve banks, by or on behalf of the conspirators, sums in excess of twenty million (\$20,000,000) dollars, through discount of notes, drafts, acceptances and bills. These transactions were made to appear on their face so that the moneys furnished by the Federal Reserve banks were seemingly used in furtherance of purely commercial transactions for agricultural, industrial and commercial purposes. The agricultural products or other wares, merchandise or live stock, purchased and paid for with the proceeds of the moneys thus obtained being apparently purchased or sold in the ordinary course of actual commercial transactions.

We charge that in respect to all the loans, discounts and advances, amounting to the said sums of two hundred million (\$200,000,000) dollars, or more, which have been obtained by or on behalf of the conspirators from member banks, and in regard to the other twenty million (\$20,000,000) dollars, or more, of moneys similarly obtained by or on behalf of the conspirators from Federal Reserve banks, that all of the sums so procured, have in fact been secured by the conspirators as agents of the governments of Great Britain, France and Russia, and that said moneys have been utilized exclusively in connection with the purchase and shipment from within the United States of war materials, munitions, food supplies, clothing, horses, mules, submarines, aeroplanes, vessels and for the purchase or chartering of ships and vessels to serve as transports from ports of the United States in the service of one or more of said belligerent governments.

We further charge that there has

mainly officers and directors of various member banks and Federal Reserve banks, that this vast mass of loans, discounts, and money advances, have been obtained by the conspirators acting as agents and representatives of the governments of Great Britain, France and Russia, with intent to utilize the moneys received exclusively for the purpose of purchasing in the United States war materials, munitions, food supplies, clothing, blankets, horses, mules, submarines, aeroplanes, and defraying the cost of purchasing or chartering ships and vessels to be used as transports from ports of the United States in the service of the governments of Great Britain, France and Russia.

We charge that these officers and directors of member banks and Federal Reserve banks, possessing this guilty knowledge as aforesaid, have aided and abetted the conspirators in the carrying on and the consummation thereof, at the request and behest of the conspirators, and that all these persons have sedulously concealed from your honorable board, the Comptroller of the Currency and the National Bank Examiners, the real character of these transactions and true purposes for which the moneys were being used, and that the said officers and directors of these member banks and Federal Reserve banks have been induced so to do by the conspirators, in some cases through personal profit to be derived from the transactions, and in other cases because such officers and directors were under the complete dominion and control of the conspirators.

We further charge that it is the present intention of the conspirators to obtain from member banks and Federal Reserve banks additional loans and advances of money for the benefit of the governments of Great Britain, France and Russia, to the amount of more than three hundred million (\$300,000,000) dollars, and that negotiations are now being actively carried on for the purpose of enabling the conspirators to obtain immediately from member banks and Federal Reserve banks this great sum of money for the benefit of the aforesaid governments, for use in the same manner as hereinbefore described.

With knowledge that the condition of affairs above specified actually exists with reference to member banks and Federal Reserve banks in the Federal Reserve System, we feel fully justified in saying that the country is about to be confronted with a crisis, not only in its banking system, but also in its relations to certain of the belligerent countries now at war. In our judgment it is perfectly clear that unless the operations of the conspirators in obtaining moneys from member banks and Federal Reserve banks are immediately suppressed and put an end to, the consequence will be that these institutions

tions of a character absolutely forbidden by Congress in the Federal Reserve act, and which seemed well designed to afford certain of the belligerent governments now at war a perfect opportunity in their own good time to present a huge bill or claim for indemnity from the United States.

According to the well settled precedents of international law, should such a claim for indemnity be made, based upon a state of facts, such as are here-in described, and the claim be submitted to arbitration, it would, of course, appear from the face of the testimony that the case was one divisible into two parts, for the reason that a decision concerning liability of the government of the United States on account of loans or money advances, made by Federal Reserve banks, would rest upon considerations that would not apply in the same degree or with same force and effect in determining the liability of our government, because of loans or advances made by member banks. The transactions herein complained of as being now carried on by the two classes of institutions must, therefore, be considered separately. It would seem to us that this separation as to origin and degree of governmental liability may be fairly described as follows: With respect to loans, discounts or money advances, made by Federal Reserve banks, these are clearly the act of the government itself. A reading of the Federal Reserve act makes it perfectly plain that Federal Reserve banks are government institutions, and that their officers, as well as the members of the Federal Reserve Board, are officers of the United States within the meaning of the Constitution of the United States, as construed and applied by the Supreme Court of the United States in numerous decisions.

As regards loans, discounts and money advances, made by member banks, in our judgment the legal situation with reference to governmental liability is somewhat different from that which would be found controlling and decisive in reference to Federal Reserve banks. While it is, of course, true that by terms of the Federal Reserve act all member banks are subject in their operations to control and supervision of officers of the government, and many of them are recipients of government deposits, and member banks themselves are invested with power, subject to certain conditions, of issuing currency, for payment of which the government itself becomes obligated under terms of the National Bank act, yet it is not clear that the original act of a member bank in making loans or advances of money, found to have been utilized for the benefit or account of a belligerent government, would be held by an international court of arbitration to be the act of the government.

(Continued on page 4.)

France. This vessel is a transport in the service of the English and French Governments.

VI.—The steamship Jethon, now at piers 36 and 37, Hudson River, New York, is now taking on war supplies for Havre, France. This vessel is a transport in the service of the English and French Governments.

VII.—The steamship Pascal, now at pier 59, Hudson River, New York, is loading with ammunition and war supplies for the British Government, and is a transport in the service of the British Government.

VIII.—The steamship Lapland, at pier 60, North River, New York, is now taking on a cargo of gun carriages and other war supplies intended for the British Government in violation of the Federal statute as well as of international law.

IX.—The steamship Toronto, now at pier 54, North River, New York, is taking on a load of ammunition and other war supplies intended for the British Government. This ship is a transport in the service of the British Government.

X.—The British and French Governments have been using the docks of the White Star Line and Fabre Line to store and ship on their transports explosives, ammunition, submarines and aeroplanes.

CITATION OF AUTHORITIES. Rights and Obligations of Neutrals and Belligerents in Maritime Warfare.

The first article of convention XIII of The Hague Conference respecting the rights and duties of neutral powers in maritime war treats of the inviolability of neutral territory and waters in maritime war. This article reads as follows:

"Belligerents are bound to respect the sovereign rights of neutral powers and to abstain, in neutral territory or neutral waters, from any act which would, if knowingly permitted by any power, constitute a violation of neutrality."

"Belligerents are forbidden to use neutral ports and waters as a base of naval operations against their adversaries, and, in particular, to erect wireless telegraph stations or any apparatus intended to serve as a means of communication with the belligerent forces on land or sea."

"The first part of this article embodies the principle of the first part of the second rule of the treaty of Washington of 1871, which is worded from the standpoint of the duty of a neutral State as follows:

"A neutral government is bound . . . secondly, not to permit or suffer either belligerent to make use of its ports or waters as the base of naval operations against the other."

"Jomini gives the definition of a base of operations as a place from which an army draws its resources and reinforcements, from which it sets forth on

This article is substantially the first rule of the treaty of Washington in regard to the Confederate cruiser Alabama and others of the same nature. This has been referred to in previous pages. For the phrase "due diligence" the term "means at its disposal" has been substituted. It would seem both from the intent and wording of the above article that the construction or sale of any vessel which is adapted to a warlike use is forbidden to the neutral. By this article neither the sale of the German vessels just referred to nor the sale and delivery of a torpedo boat for Japanese use by Americans in the same war would be permissible, even if the latter goes as cargo instead of under its own propulsion.

"Nevertheless, a neutral power may forbid a belligerent vessel which has failed to conform to the orders and regulations made by it, or which has violated neutrality, to enter its ports or roadsteads."

Calling your attention to these sections of the treaties now in force, we beg leave to enumerate the following prohibitions:

First, A private merchant ship of a belligerent country or a private merchant ship of our country cannot load at our ports "a submarine" or "component parts thereof."

Second, Such merchant ships cannot load or carry hydro-aeroplanes or component parts thereof whether they are propelled by their own power or transported on such vessels as a part of the cargo.

Third, If the belligerent country's vessel, though owned by private merchantmen, has been chartered or registered by such government or otherwise put even in part under the control of the belligerent nation for the purpose of "ramming" or using the vessel in any manner for warfare, offensive or defensive, then the whole ship becomes subject to the rules governing a "warship," and such vessel will not be permitted to load at our ports or sail from our ports with any munitions of war for such belligerent country or her ports.

Fourth, A merchant ship owned or operated by a belligerent nation shall not be permitted to load at our ports any munitions of war or other contraband goods.

We respectfully request that you direct that a public inquiry be held at once by the collectors of the ports or other proper government officials at which oral and documentary evidence can be submitted and opportunity given to the citizens to examine witnesses to the end that your department be fully informed as to the situation. Respectfully submitted,

H. ROBERT FOWLER,  
General Counsel of Labor's National Peace Council.  
F. S. MONNETT,  
Of Counsel.



# INDUSTRIAL NEWS

Business Office and Editorial Rooms: 444-446 Pearl Street, New York  
Telephone Worth 1002-3

A weekly journal of direct interest to all who labor.  
Advertising rates on application.

Subscription One Dollar per year.

WILLIAM DELAHUNTY, Publisher.

New York, Saturday, July 10, 1915.

## AN ISSUE THAT MUST BE SOLVED.

The great question of the unemployed must be solved in the very near future. The mass of wage earners who for years battled and fought for a Department of Labor in Washington expected great things from the Secretary of Labor, who is also a member of President Wilson's Cabinet. Any intelligent workingman will tell you that the Department of Labor is a disappointment. However, we are glad to notice that Secretary of Labor Wilson is to confer over the project for co-operation of the Federal labor authorities over the unemployed. In future issues of The Industrial News we propose to show the Labor Department how to find work for the jobless.

## ENTIRE CHRISTIAN WORLD APPROVES OF LABOR'S NATIONAL PEACE COUNCIL.

Pope Benedict, archbishops and priests, also leading Protestant clergymen in all parts of the world, are in sympathy with the methods of Labor's National Peace Council. The Holy Father says organized effort on the part of labor will be a power for good and its influence bring universal peace to Europe, and at the same time keep America out of the war. The Pope recommends American Prelates to rely on the wisdom of President Wilson, whose peaceful intentions are well known, and urges loyalty to their adopted country on the part of Germans.

## EIGHT HUNDRED AND FIFTY MILLION DOLLARS INVOLVED IN STRIKE.

Two hundred thousand employes by the great war material-making firms in various sections of the United States will go on strike for shorter hours and more pay. The Remington Company and others

## Odd Happenings In the Day's News

Mrs. Flake Keyes of Hollis, Okla. has given birth to quadruplets, all girls.

New York boy leaned too far out of a third story window to catch a soap bubble, fell out and was killed.

George Harding, an eleven-year-old boy, won first prize for the best display of cooking in a Portland (Ore.) school.

South Norwalk man raised his umbrella in a thunderstorm and got a shock that knocked him unconscious.

Fort Worth, Tex., negro lad, sentenced to be hanged, asked the judge to grant him one watermelon a day until his execution. He will get it.

Women twins, eighty-six years old, will celebrate their birthday at Leonardsville, N. Y., by being rocked in the cradle in which they slept as children.

## INDIVIDUAL INCOME TAX RETURNS SHOW INCREASE

Collections From Corporations Drop,  
Owing to Decrease in Earnings.

Substantial decreases in the corporation tax and increases in the individual income tax as compared with last year's collections are shown in the record for the last fiscal year as given out by Secretary of the Treasury McAdoo.

The total corporation tax collected amounts to only \$38,817,000 for the fiscal year 1915, whereas on June 30, 1914, when the income tax law had been operative only ten months, \$43,079,000 had been collected from this source.

On the other hand, there was a jump from \$28,306,000 to \$41,011,000 in the income tax collections. Many officials are at a loss to explain these changes.

It is evident that during the last twelve months the corporations of the country sustained a considerable loss of earning power and that the falling off of corporation tax can be attributed to this fact alone, but the increase in the individual tax is not so easily solved. This increase is certainly due in part to the exertions of internal revenue agents in ferreting out persons having taxable incomes who failed to make returns last year.

Doubt exists, however, as to whether the main part of the increased taxes should be attributed to these efforts. Officials believe that despite the falling

## The Sea Wind

It is calling from the ocean o'er the swirl  
Of broken foam,  
Where the rollers sweep in squadrons  
From the west;  
Blowing down the path of sunset where  
The gray winged sea birds roam,  
With wide dreless pinions on their end-  
less quest.

It is calling, calling, calling, and I know  
That I shall go  
Out beyond the sunset edges of the sea,  
To a clean white bench of coral and an  
island that I know  
Where the palm tops in the trade wind  
thunder free.

There's no charm in all your cities—only  
smoke and dust and roar;  
Only choking air and screech of clang-  
ing cars,  
And I'm hungry for the thunder of the  
breakers on the shore  
And the velvet nights beneath the tropic  
stars.

For the sea wind's voice is calling and  
old memories stir and flare—  
Old year memories soaked in tropic sun  
and rain;  
And I'm deathly sick and weary of your  
"commerce" poisoned air  
For I'm hungry for the blue south seas  
again.  
—Marshall South in Los Angeles Times.

## BUSY BERTHAS FIRST MADE IN THIS COUNTRY.

Blueprints For Great Guns Said to  
Have Been Stolen From Patent Office.

The big guns known as "busy Berthas," the conception of a Baltimorean and which were first made in Germany, are now being used by the British in the western theater of war.

When the blueprints showing the design of the huge gun were filed in the patent office in Washington they were, it is alleged, confiscated by a spy employed in the office. He resigned, it is said, and hastened to the Krupp works in Germany, where the guns were manufactured.

Fearing that other governments would spy out the guns, the Krupps laid them aside in their yards and marked them as failures; hence they attracted no attention. Their long range was not discovered until they were put into service.

A chemical company of Baltimore had filed the patent. When Colonel C. Wilbur Miller, president of the company, read of the havoc wrought by the "busy Berthas" his suspicions were aroused. At the patent office he learned that the blueprints were abstracted. Duplicate prints were prepared and armed with these he went to

## Verses Muent'er Wrote on "When I Am Dead"

Among the effects of Erich Muent'er, alias Frank Holt, who tried to kill J. Pierpont Morgan, was found a poem, "When I Am Dead," which he wrote a number of years ago and sent to his sweetheart, Leona Sansabaugh, now his widow, in 1908. Several verses follow:

When I am dead  
Perhaps kind memory will lose  
The sad mistakes I've often made  
And hold the good—yes, let the best  
Reveal itself as errors fade.  
Oh, Lord my God, I toil each day  
That I may have some good to stay,  
But will the blunders, then forgot,  
Give balm to those that now are not?

When I am dead  
And broken, heartless sods of earth  
Will mark where last I seemed to be;  
Perhaps—I cannot know—there will  
Be heard the voice of praise for me.  
Oh, Lord my God, help me be strong  
In trials much, in labors long!  
For me, who live in hunger great,  
All praises then will come too late.

When I am dead  
If I the silence of the tomb  
Could break, I would not think to stay  
The eager hand or loosened tongue,  
But sadly I to all would say,  
Beloved, flowers now you cast,  
No fragrance to hours past;  
Belated words of love and tears  
Will never ease the broken years."

## VANISHING GUNS FOR AMERICAN SUBMARINES.

Officials Reveal Plans After It Was  
Found That Germany Had Secret.

The navy department has just announced that hereafter disappearing guns will be mounted on all American submarines.

It developed that American naval experts secretly have been working on the submarine gun for more than two years and that plans were completed several months ago to mount such pieces on undersea craft.

It is understood that the department did not divulge the plans because officers were under the impression that the idea had not occurred to other navies.

The announcement was made after officials of the department had satisfied themselves that it would be useless to keep the fact secret longer, because Germany already is using such guns on the U type of submarines which are now operating against merchantmen in the so called war zone.

If the present plans of the navy experts are carried out submarines of the M type will be the first to receive the new guns. The gun carriages are mounted on the submarine's deck.

## LETTERS TELL OF MEN'S SUFFERING

Show What the Soldiers In the  
Trenches Are Thinking Of.

## ONE WAS HAPPY IN DEATH.

Asked Parents to Rejoice With Him In  
That He Died For His Country—Germans Do Not Understand Enemies  
Who Shoot at Them In Daytime and  
Sing Songs After Dark.

A correspondent at the front with the French army sends two letters from soldiers. The first was found ready to mail on the body of one killed in battle. He was the only son of a town clerk of Anjou:

My Dear, Darling Parents—If this letter should reach you some day expect a great unhappiness for yourselves and a great happiness for me.

I shall be cut off by death, but your sorrow will be softened by the thought that your son has died for France, for our country, to defend the right. And surely you cannot have greater consolation.

Be as happy as you can. All your life long think of me, but not to pity me, and be comforted.

Your son who loves you,  
ALBERT AUBRY.

The next was written by a Lieutenant in the midst of the fight at Arras after half his face had been torn off by a shell. Feeling death coming on and unable to see, he traced on the pages of a pocket blank book stained by his blood a few legible words, showing the invincible conscience of the man.

## Dead Soldier's Encouragement.

On one page was written, "500 francs to Poussard" (his orderly); on another, "500 francs for the poor at home," and then on yet another a word to his men:

"Hold out to the end, for the Germans are going to take the trench again."

"Inform my family, Lucquaud, at Bellevue."

"Thanks to all those who have fought with me. Say to my parents I have always done my duty."

In one of those curious little notebooks in which the German soldiers are encouraged to write their impressions of the day's doings this was found on a prisoner:

"The French are all day up in the trees firing at us, and when night comes they play the accordion or sing

More than two hundred concerns employing machinists and metal trades workers will be indirectly affected. Most of these companies are operating under sub-contracts with the Remington people for the manufacture of war material.

Die and tool makers, especially employed in making of shells and small arms, will be the first to be called out if the union's differences are not settled.

War making material companies have rush orders on from the allies amounting to \$850,000,000.

## 21,770,000 MEN FIGHTING AT DAILY COST OF \$42,250,000.

Figures that show the stupendous scale on which the European war is waging have been compiled by William Michaelis, of Berlin, famous as a statistician. He estimates that there are 21,770,000 men and 2,018 warships engaged, at a total daily cost of \$42,250,000, or \$15,420,000,000 a year.

## EVERY INTELLIGENT WORKINGMAN IS OPPOSED TO WAR.

The peace propaganda of the great labor movement is most favorably commented upon by intelligent workingmen and friends of humanity.

We wonder at the amazing fatuity that led Europe into its present tangle. We wonder hardly less at the singular stupidity and lack of vision that led the average American editor like a blind bull by the nose, so that he follows only the fatal cowpath of Europe, and cannot see the better, more intelligent American way.

No workingman wants war, because war brings us under military rule, and military despotism destroys organized labor. As Congressman Buchanan, president of Labor's National Peace Council, says:

"I feel that I owe to labor in general and organized labor in particular, a statement of facts regarding my activity, both as a member of the United States Congress and as a private citizen, in striving to crystallize the prevailing peace sentiment into practical action that will prevent this country from becoming involved in the European conflict, through the instigation of such self-styled American patriots as are engaged in the manufacture of war munitions and supplies, and are willing to plunge this country in all the horrors of war with somebody or everybody in order that they may realize brain staggering profits for themselves. By elimination of this tribe of financial ghouls, substituting therefor the governmental ownership, control and manufacture of all instrumentalities of war, together with the supplies of every description acquired on the field of battle."

European war.

## GERMANS EXPORT DIAMONDS.

Stocks From South Africa Being Sold  
to Americans Via Holland.

According to the Manchester Guardian, there is one export from Germany which is quite lively and very difficult to check, that of diamonds. When the war broke out a syndicate in Berlin which buys diamonds from South-west Africa found itself with a stock on hand worth \$1,500,000. These diamonds are being cut for very low wages by craftsmen in Belgium and sold via Holland to the United States. The United States is practically the only country buying diamonds now, and the American appetite for them is described as amazing.

On the declaration of war the syndicate which takes over the De Beers and Jagersfontein products had a stock of diamonds worth \$4,000,000. It already has disposed of half of this stock. The Premier mine, which markets its own diamonds, has got rid of a third of its surplus. Almost all of these stones have gone to the United States.

Good judges anticipate a scarcity of diamonds when peace comes. Production has as good as stopped. The mines in South Africa are closed down, their engineering staffs having been disbanded and their native laborers repatriated. Only a handful of river diggers are still at work.

## NEW MISSIONS MOVEMENT.

Conventions In Seventy-five Cities Beginning Next Fall.

A national missionary campaign, like that begun by the laymen's missionary movement in 1909 and 1910, is to be organized again for the coming fall and next spring. As in the first campaign, the laymen's missionary movement, which is an interdenominational organization, will work in co-operation with the home and foreign mission agencies of the country, holding a series of seventy-five conventions in as many cities in all parts of the United States.

The meetings will start in October and end in April with a national missionary congress at Washington, April 26 to 30, 1916. Forty thousand churches are to be invited to send their most able men as delegates to the various conventions, there being no limit to the number from each church. Last year the attendance ran above 75,000 delegates, and the announcement for this year speaks of an expected total of 150,000 men.

Buffalo, N. Y., will be the place of holding the first convention, Oct. 17-20. New York city is on the list. No financial appeal is to be made, but the work is to be educational.

## POPE'S NEPHEWS AT FRONT.

One a Captain and Other a Lieutenant  
of Cavalry.

The Giornale D'Italia relates this intimate episode in the pope's family. The pope has two nephews at the front, one a captain and the other a lieutenant of cavalry. Both are the sons of Count Perisco of Venice, the pope's brother and a rear admiral of the reserves.

It is recalled that the latter's son, Joseph, eighteen years of age, expressed a wish of enlisting. His mother secured him a place in the sanitary corps, but the young man objected and appealed to the pope. He said he wished to receive a commission as an officer. The mother was present at the audience.

The pope said that the boy's wish was natural and to let him go to the military academy, which the youth entered recently. He will graduate three months hence.

## MONUMENT TO GREENE.

Unveiling of Statue on Battlefield  
Where He Defeated Cornwallis in 1781.

One hundred and thirty-five years after he led his command to victory over General Cornwallis' men at Guilford Court House a monument was unveiled recently on the famous battlefield in honor of the memory of General Nathaniel Greene, who commanded the Colonial forces in the south during the latter part of the American Revolution.

It was in this vicinity that the battle was fought on March 15, 1781, which resulted in such heavy losses to Cornwallis, the British leader, that he was forced to retreat to Wilmington. N. C. Cornwallis subsequently decided to transfer his activities to Virginia. The result was his surrender at Yorktown on Oct. 19, 1781, which virtually ended the war.

## AN AVIATOR TO HUNT FIRES.

Wisconsin Forestry Department Puts  
Hydroaeroplane In Service.

Wisconsin has enlisted the services of an aviator to search for forest fires in the known woods of Wisconsin. It was announced. The hydroaeroplane will be stationed at Trout lake.

E. M. Griffith, head of the state forestry department, made a flight in the machine and located a fire thirty miles distant. Heretofore the view a ranger has had of the surrounding country has been from a sixty foot tower. The air craft will reach the scene of fire within a few minutes, it is figured, whereas with the ordinary facilities of a forest ranger hours would be consumed.

gun will rise immediately over the top. The mechanism is so perfect, it is said, that the gun may be raised, fired and lowered within a few seconds.

Each submarine will be protected by two three inch guns. One will be mounted fore and the other aft. By the use of these guns officials believe that submarines will be enabled to protect themselves from any light craft.

The M type of vessels, on which the guns will be tried out, are of about the same type as those being used by Germany in attacking merchant vessels. They are approximately 230 feet in length and displace 730 tons.

## MUNITIONS ON MINNEHAHA.

Vessel on Which Bomb Exploded Carried  
Much Valuable War Material.

Whether or not it is ever proved that Erich Muent'er, alias Frank Holt, placed the explosive on the Minnehaha which caused her to return to port, there is no proof necessary that it was a vessel literally filled with war munitions. Here are some of the things she carried:

2,800 cases loaded shrapnel shells.  
1,723 cases loaded cartridges.  
1,000 cases cordite.  
1,400 cases trinitrotoluol. (This is a chemical of great force, which goes into high explosives.)  
54 cases rifles.  
826 cases empty projectiles.  
4 cases firearms.  
3,001 plates spelter.  
886 cases and bundles brass rods and sheets.  
432 motortrucks.  
1 motor ambulance.  
220 horses.  
18 cases auto parts.  
100 cases magnetos.  
6 cases fuses.  
80 bundles copper wire.  
34 plates zinc.  
10 crates air guns.

## ITALIAN KING COUNTS SHELLS

Victor Emmanuel Unawed as Sixteen  
Twelve-inch Shells Burst Near Him.

A soldier in a letter to his parents in Rome relates this incident of the Italian king's coolness under fire. Along with the general staff, the king had visited an outpost to see how operations were progressing. The news of his presence was communicated to the Austrians by a spy. They immediately fired sixteen twelve-inch shells at the spot, some exploding within 120 yards of the king and his officers.

His majesty counted the projectiles as they fell, and then sat down on the grass and penciled out an account "to show how much it had cost the Austrians to try to take the life of one man."

## What Caused His Death?

An Arizona man set a trap for rats. A dog was caught in the trap and upset a can of gasoline. The dog's barking aroused a man, who took a lighted lamp into the room and lost his life in the explosion.

es by those who sit very comfortably at home:

## Protest Against Being Called Hero.

"Ah, dear friends, one who is here does not speak so complacently of dying and sacrifice and victory as do those who are behind there, ringing bells and speechifying and writing in newspapers. One who is here makes the best he can of the bitter necessity of suffering and death, if that be his lot. But he knows, he sees, that noble sacrifices, numberless and numberless sacrifices, have already been made and that for a long time there will be enough destruction on our side as well as on the other. Precisely when one has to face suffering as I do, it is then a bond of union enlances me with those who are over there—on the other side. \* \* \* If I get out of this—but I have little hope—my dearest duty will be to plunge into the study of what those who have been our enemies think."

A German prisoner of the French wrote to a Swiss professor:

"From the 20th to the 25th of August I took part in great battles. Since then I suffer morally until I am utterly exhausted, in body as well as in soul. My soul finds no rest. \* \* \* This war will reveal to us how much of the brute still lives in man, and the revelation will help us to make a great step forward out of animality—or it will be the end of us!"

Another writes: "As for me, I do not know such a thing as a holy war. I know only one war, that which is the sum of all that is inhuman, impious, bestial in man—a chastisement of God and a summons to contrition for the people that rushes into it or allows itself to be dragged into it."

## ORGANIZE DENTISTS' SQUAD.

Canada to Send 150 to Front to Care  
For Soldiers' Teeth.

That the teeth of the soldiers in the field are not to be neglected is evidenced in the fact that a company called the Canadian dental corps is being organized and will soon be sent to the front. The company comprises dentists from all parts of Canada who are prepared to drill for service with the different units in the Canadian expeditionary forces.

The new dental corps, which is being formed at Ottawa, will be enrolled as a regular military unit, and the officers will have full rank. However, it will not see service as a corps, for when it reaches France it will be divided, with two dental officers going to each military unit in connection with the army medical service. Some will be sent to hospitals and elsewhere.

In view of the fact that some of the soldiers have been on active service for nearly six months, with practically no opportunity to have their teeth attended to, it is believed that there will be a great deal of work for the dentists.



## MANY SHATTERED CAREERS IN THE WAKE OF HARRY THAW'S TROUBLES

Evelyn Nesbit Says She Is One of the Many Victims of the Jinx.

Three of His Lawyers Have Been In Serious Trouble; One Now In Prison.

Is there a Thaw jinx? Is there some subtle and mysterious influence which pervades the atmosphere about Harry K. Thaw and renders those who associate with him more liable to the misfortunes of life? asks the New York World.

The question has been called up by the failure of Deputy Attorney General Franklin Kennedy, who has made a wider study of the Thaw case than any other man in the attorney general's office, and who devoted most of his time for the last two years to an effort to get Thaw back to Matteawan, to take any part in the last proceedings before Justice Hendrick.

At last reports Mr. Kennedy was in Buffalo recovering from a nervous breakdown which he experienced soon after the conclusion of Thaw's conspiracy trial last March.

Not long after the beginning of the conspiracy trial Mr. Kennedy's friends began to see signs of nervousness on his part. They became more and more pronounced until after one of the arguments before the appellate division. Attorney General Woodbury sent for him and advised him to take a complete rest. Kennedy went away without leaving word of his destination,

known as a magazine writer. Lewis became interested in Thaw while the latter was in Matteawan and subsequently became engaged in a publicity campaign in his behalf.

On one of the visits which he made to the asylum he advised the man in whose behalf he was working, if Thaw's own sworn testimony on this point may be taken as true, that if he were sane he had a perfect right to



Photo by American Press Association.  
EVELYN NESBIT THAW, VICTIM OF JINX.



Photo by American Press Association.  
LATEST PICTURE OF HARRY THAW.

and for days his office was making vain efforts to get in touch with him. Later he was found in a restaurant. It being apparent that he was still far from recovered he was persuaded to go to his home in Buffalo for a long rest.

### Many Other Victims of Jinx.

Illness, however, is only one of the lesser evils that have followed in the trail of Harry K. Thaw. Other misfortunes that have befallen his associates have included death, state prison terms, the loss of positions, attempts at suicide, insanity and disgrace. Evelyn Nesbit Thaw, who claims herself as one of the victims, says it is all due to the Thaw jinx.

Lawyers are among those who have suffered after association with the slayer of Stanford White. Two have gone to jail since serving Thaw, one as a direct result of that service and the other after enjoying the distinction of being the only lawyer to be engaged by Thaw at both of his murder trials. Two other lawyers who served him died soon after ending their connection with him, and one was disbarred as an attorney.

### O'Reilly Incident.

A pathetic instance is that of Dan O'Reilly, who when he was retained as counsel at the first Thaw trial was a popular criminal lawyer in New York. He had been an assistant district attorney and as such had prosecuted the case against Samuel J. Kennedy, who was charged with the murder of Dolly Reynolds. Later he figured in the Nan Patterson case.

He served as a member of the Thaw counsel until Thaw had been sent to Matteawan. Later he appeared as personal counsel for Evelyn Nesbit Thaw.

His final downfall then came in connection with the sensational robbery of Aaron Bancroft, an aged broker who was knocked down in the Produce Exchange building and deprived of \$85,000 worth of securities. O'Reilly figured in the negotiations for the return of the stolen property.

After one of the men involved had turned informer and made a statement implicating the lawyer in the attempts to dispose of the loot the once assistant prosecutor was charged in an indictment with having received stolen property. He was tried before Justice Davis in the supreme court, who sentenced him upon his conviction to five months in the penitentiary.

When he came from prison it was as a man broken in body and spirit. His old friends, of whom he had had a host, were shunned, and on Nov. 7, 1913, at the age of forty-four, he died.

Another lawyer whose association with Thaw was followed by death was Alfred Henry Lewis, who was better

Photo by American Press Association.  
J. N. ANHUT, EX-THAW LAWYER, NOW IN PRISON.

escape. Acting on this advice, Thaw testified that he engaged the men who assisted him in his getaway. Lewis' death made it impossible to get from him his own version of the story.

At Thaw's first trial A. Russell Peabody was engaged by the slayer as his personal counsel. Peabody played a prominent part in all the proceedings and of the many lawyers in the case was regarded as the one best liked by the defendant. When he died in September, 1908, six months after Thaw's commitment to the asylum, the prisoner was deeply affected by the news.

### Hartridge Disbarred.

One of those whose downfall is directly attributable to his connection with Thaw is Clifford W. Hartridge, a young lawyer, who acted as Thaw's counsel of record on the first trial. In 1910 he brought suit against Mrs. Mary Copley Thaw for \$83,000, which he claimed he had expended in behalf of Thaw.

In the course of the trial evidence was offered to show that about \$40,000 had been expended in keeping a number of women friends of Thaw out of the way. Hartridge lost the suit. At the conclusion of the trial Judge Holt directed that an investigation be made to determine whether or not Hartridge had been guilty of obstruction of justice. The matter was finally taken up before the appellate division in disbarment proceedings brought by the Bar association.

### Mrs. Hartridge Dies.

Even more tragic than the fate of Hartridge was that of his wife. In October, 1907, the lawyer called at police headquarters and reported that Mrs. Hartridge had disappeared. A search was immediately begun which included the morgues of a dozen cities. It was suspected for a time that she had committed suicide. In the following July a woman died in the Homeopathic hospital in Pittsburgh, who it was afterward learned, was Mrs. Hartridge. It then developed that almost

from the day of her disappearance she had been living at Pittsburgh, where she had gone to await the death which she knew she was to suffer from a disease.

Another lawyer who has reason to curse his connection with Thaw is John N. Anhut, who went to New York city from Michigan after serving a term there as a state senator. He was admitted to the New York bar. Up to that time no breath of scandal had ever attached itself to his name, and he was fast building up a circle of friends both in and out of the legal profession.

He went to live at a hotel in White Plains, N. Y., where he was at the time of Thaw's hearing before Supreme Court Justice Keogh. The prisoner obtained a meeting with the young lawyer, and it was not long before the latter was employed by Thaw.

### J. N. Anhut Indicted.

During the habeas corpus hearing Dr. John W. Russell, the then superintendent of Matteawan, was living at the same hotel and was introduced to Anhut. Finally Anhut received, through one of Thaw's agents, \$25,000, which the young lawyer called a retainer, but which it subsequently developed was to be used in attempts to bribe the authorities to let Thaw out of the asylum.

In probing the scandal which followed the authorities heard a great deal of contradictory testimony. Summoned to Albany, Russell told the governor that William F. Clark, secretary of the Sulzer inquiry commission, had told him the governor wanted Thaw out; that he had been offered \$25,000 by Anhut.

Clark charged that the "prison ring" was making money out of pardons, that \$25,000 had been paid to Russell by Thaw and that \$11,000 had been paid back when the "ring" became alarmed.

There was a public inquiry, during the progress of which Dr. Russell re-



Photo by American Press Association.  
THAW'S DEVOTED MOTHER, MRS. MARY COPELY THAW.

signed his post as superintendent of Matteawan. The governor's inquiry was followed by a grand jury investigation, which resulted in the indictment of Anhut for attempting to bribe Dr. Russell.

Anhut was placed on trial. Dr. Russell being one of the chief witnesses against him. On May 12, 1913, he was convicted of attempted bribery and a week later was sentenced to a term in state prison of from two to four years. He was released on bail pending his appeal, but the conviction was subsequently affirmed, and he is now serving his sentence. His conviction was followed by his disbarment.

### Dr. Russell's Statement.

Dr. Russell claimed that he had twice been offered a bribe of \$20,000 to issue a certificate that Thaw was sane and that he had both times refused it. If the jinx was active in his case it contented itself merely with bringing about a set of circumstances that got the superintendent a lot of unpleasant notoriety and caused his retirement from his official position.

Howard Barnum, the guard who was at the gate on the morning that Thaw made his escape from the asylum, lost his job as the result of being there, though it was denied that there had been any connivance between him and the alleged lunatic.

While Thaw was in the Tombs he became friendly with Raffaele Gascone, who was charged with a double killing in Mulberry street. The two men played checkers and cards together and exchanged confidences. The friendship was interrupted when Gascone was sentenced to die in the electric chair. With the help of Albert T. Patrick, Gascone managed to get a new trial, which resulted in acquittal. A year later he was shot in the little wine shop which he kept at 108 Mulberry street.

As far back as 1900 there are evidences of the strange fatality which has followed the Pittsburgh millionaire. It was then that he was spending his income in making a splurge along the Paris boulevards. A dispatch in 1900 told how six months before the Comtesse Louise de Mortane, a pretty widow and member of the provincial aristocracy, had tried to commit suicide because Thaw would not marry her. She recovered from the grief, however, for she was next reported as contracting for a private submarine boat in which she announced her intention of making her home.

"Big Dick" Butler and four others who helped Thaw escape from Matteawan do not consider themselves victims of the jinx. It is true they had to stand trial on a charge of conspiracy, but they were acquitted. They also got \$5,000, it was reported.

### The True Philosopher.

The true philosopher makes a considerable do over his love of and his search for knowledge. But if he is a truly wise philosopher and if he values his reputation he will stop safely short of ever acquiring exact information. Exact information is fatal to the philosophical temperament. A philosopher is a man who can make solemn and profound remarks about any matter whatsoever without knowing anything about it. As soon as he learns something about a matter he is to that extent excluded from philosophizing about it. He is no longer a pure philosopher; he is now part scientist. This explains why there are so few prominent and prosperous philosophers these days. With the vast development of our means of communication, the multiplication of books and newspapers and the obtrusiveness of reformers, it is almost impossible to get through the world without picking up a great deal of correct information, and consequently it is well nigh impossible to be a philosopher—Life.

### That "Dead Man's Chest."

The rendering of the first line of Stevenson's immortal song as "Fifteen men on a dead man's chest" spoils the significance of the phrase, writes a correspondent. License is permitted to poets, but no fifteen men could ever find room on the chest of any man, dead or alive, unless they were Lilliputians on the top of a Gulliver. The actual phrase is "the Dead Man's Chest," which is the name of one of the Virgin islands, lying to the east of Porto Rico. It is said that when Columbus discovered the group he named them after St. Ursula and some of her mythical virgins, but the English buccaneers rechristened them in homelier terms, such as "Dutchman's Cap," "Broken Jerusalem," "Rum Island" and "The Dead Man's Chest." Kingsley refers to the matter in the first volume of "At Last," and Stevenson acknowledged, in his account of "Treasure Island," that he had lifted the phrase from the older novelist's pages. —Manchester Guardian.

### How to Sharpen Your Knife.

In the Woman's Home Companion a contributor gives boys the following advice as to how to keep their knives sharpened:

"Few boys who undertake to sharpen a knife have any great difficulty in getting a sufficiently keen edge. It is in keeping this edge that the trouble arises. This is due to holding the knife blade too flat when sharpening.

"By holding the knife blade very flat a sharp edge can be readily produced, but is so very thin that it is easily broken and the blade is marred by jagged nicks.

"The men who are employed in fac-

### Lots of Vowels.

In the Hawaiian language every word ends in a vowel. A Hawaiian finds it almost impossible to pronounce two consonants together, and in English he has the greatest difficulty in pronouncing any word ending with a consonant. Mr. Hale in his Polynesian grammar says: "In all the Polynesian dialects every syllable must terminate in a vowel, and two consonants are never heard without a vowel between them. It is chiefly to this peculiarity that the softness of these languages is to be attributed. The longest syllables have only three letters, and many syllables consist of a single vowel." Again, no syllable, as a general rule, in the Bantu family of African speech can end in a consonant, but only in vowels.

**READYMAID**  
CONCENTRATED  
**SOUPS**

PREPARED BY  
THE FRANCO-AMERICAN FOOD CO.

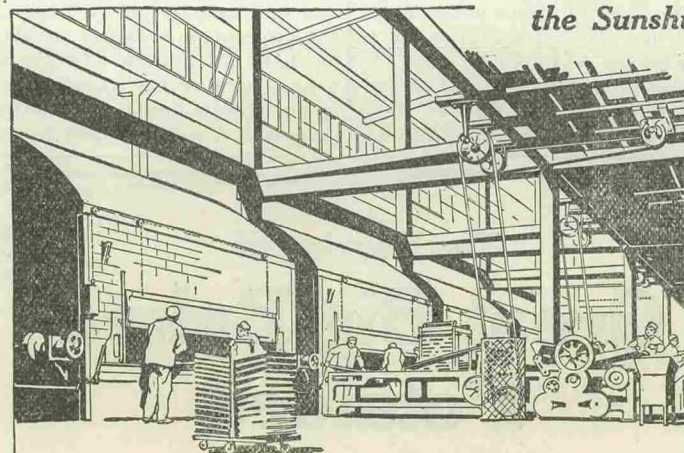
**Welch**  
Grape Ball



18-20 OAK STREET

Cor. New Chambers St.  
Phone Orchard 2300

### The Ovens in the Sunshine



In great, shining ovens like this, in the largest bakery in the world—flooded with sunlight and spotlessly clean—we do the daily making and baking of the many

## Biscuits

that you'll find in tempting variety whenever you step into any good grocery store. Try a box of Sunshine Graham Crackers today. You'll note their quality at the first bite.



LOOSE-WILES  
BISCUIT COMPANY  
Bakers of Sunshine Biscuits  
NEW YORK

**THE INDUSTRIAL NEWS** is in favor of Universal Peace and the rights of the Workingman. If you approve of what it advocates send one dollar to **INDUSTRIAL NEWS**, 444 Pearl Street, New York, and we will send you the paper every week for one year.



## An Open Letter to the Governor

(Continued from page 1.)

ment or an act which bound the government in any way.

However, should it appear in evidence that, subsequent to the original advance or loan by the member bank (an undertaking in which there was no participation by any officer of the government), the member bank had applied to the Federal Reserve bank for a loan or rediscount, with actual intent of obtaining aid in money from the Federal Reserve bank for the purpose of enabling it (the member bank) to continue or renew a pre-existing loan made to a belligerent government or its agents, and if it appeared that the member bank did in fact obtain a loan of money from the Federal Reserve bank, which in turn enabled the member bank to make a loan to a belligerent government or its representatives or agents, then an international court of arbitration would doubtless hold that our government was liable for having extended and furnished aid in money to a belligerent government, even though it was conceded that the Federal Reserve bank had no notice or information that the purpose of the member bank in obtaining the money was to use it for either of the aforesaid purposes, nor would such a ruling or holding of the court of arbitration be affected or modified upon a showing that the member bank in obtaining a loan from the Federal Reserve bank had done so by the use of collateral upon which the Federal Reserve bank had a perfect right to loan, according to the terms of the Federal Reserve act. The determining factor, as affecting the liability of our government, would be the one consideration as to what the money was actually used for, and no plea in abatement could be successfully interposed by way of proof that the Federal Reserve bank had ab-

solutely no information tending even to put it on inquiry or notice that the true object for which the loan was sought or the money to be used was other than an entirely legitimate commercial purpose.

The contentions as advanced by our own government in the Alabama case, as upheld by the international court of arbitration, and at the instance of our government written into the body of international law, when examined, are found sufficient in themselves to establish the correctness of the view here expressed on this branch of the matter now under consideration.

In view of the foregoing, we earnestly urge that your honorable board immediately take strong and drastic preventative action to the end of safeguarding the United States against further violations of its neutrality, and so as to guard effectively in the future against the commission of acts by member banks and Federal Reserve banks included in the Federal Reserve System, which, if not stopped by action on the part of your honorable board, will, in the near future, and with unerring certainty, create conditions that will result either in our government being made liable for an indemnity probably reaching in amount the sum of one billion dollars, or find the country confronted with the threatening menace of an impending bank panic consequent upon the actions of the member banks in becoming waterlogged with loans made upon an abnormally large scale to agents of belligerent governments, and secured only by stocks and bonds and notes, drafts and acceptances of such agents.

In a situation of that character, one which we again repeat, will most surely happen in the event of the failure of your honorable board to take immediate preventative action, your board will find itself faced with the unpleasant alternative of being unable on the one hand to rediscount for the member banks, because the rediscounts would enable these banks to continue the loans and discounts made to agents of

belligerent governments, and so in effect cause our government to be furnishing aid in money to belligerent governments at war; or, on the other hand, your honorable board, if it nevertheless determined to authorize and direct the Federal Reserve banks to come to the rescue of the member banks in such an exigency by discounting and rediscounting on an elaborate scale, your board would be then subjected to the painful embarrassment that this action of the Federal Reserve banks, while it would accomplish the purpose of preventing a bank panic, would, at the same time, make our government liable to certain of the belligerent governments now at war, for the payment of an enormous war indemnity because of the breach of neutrality committed by our government in permitting one of its branches (the Federal Reserve banks) to furnish member banks with huge sums of money to enable the member banks to continue loans and discounts to other belligerent governments and agents thereof.

As steps in preventative action on the part of your honorable board, we earnestly urge that you without delay, materially modify and reform your various regulations, orders and rulings as set forth in Federal Reserve circulars Nos. 2, 3, 4, 5, 8, 11 and 12, series of 1915. We request that these several documents be so modified as to make perfectly plain by proper order and regulation, instructions controlling upon Federal Reserve banks and member banks the following:

First. No Federal Reserve bank shall hereafter discount any note, draft or bill of exchange purporting to arise out of a commercial transaction, or apparently drawn for agricultural, industrial or commercial purposes, secured by staple agricultural products, goods, wares, merchandise or otherwise, except the officers of said Federal Reserve bank first make proper and diligent inquiry to discover whether the person or persons in whose favor such note, draft or bill of exchange is drawn, or the maker or makers thereof or either or any of them, are acting as agents or representatives of any foreign belligerent government at war, and whenever the amount of any such note, draft or bill of exchange offered for discount shall be \$50,000 or more, the Federal Reserve bank shall require to be furnished an affidavit from the maker, acceptor or beneficiary in which must be set forth in detail the true facts and history of the transaction sought to be accomplished by the proposed loan or discount; and should the inquiry or affidavit reveal any evidence tending to show that the proceeds of the loan or discount are to be used for the benefit of any belligerent government, or its agent, or utilized in connection with the purchase or sale of any materials or supplies intended for the use of any belligerent

Federal Reserve Board under section 11 of the Federal Reserve act, there should be frequent examinations of the accounts, books and affairs of the more important member banks and Federal Reserve banks to ascertain which of these, if any, are continuing to make discounts or advances of money for use or benefit of a belligerent government or its agents.

As having a bearing upon the foregoing, and a consideration thereof by your honorable board, and as a clear indication of the opinion of our government concerning the proper policy to be pursued by a neutral government with regard to loans or advances of money for the benefit of a belligerent government, we respectfully submit the following:

In August, 1914, J. P. Morgan, of the firm of J. P. Morgan & Co., informed Mr. Secretary Bryan that his firm was considering the making of a loan to the French Government of one hundred million (\$100,000,000) dollars, and desired before making the loan to ascertain what the position of our government would be toward such a transaction, whether in the judgment of the officers of the government the making of such a loan by the firm would involve our government in a breach of neutrality.

Speaking for our government, Mr. Secretary Bryan answered as follows: "There is no reason why loans should not be made to the governments of neutral nations, but, in the judgment of this government loans by American bankers to any foreign nation which is at war are inconsistent with the true spirit of neutrality."

Lest your honorable board fall into the error of refusing to consider seriously the material allegations of this complaint, in the mistaken belief that no one set or clique of bankers or financiers could possess sufficient power and authority, or are in control of an organization having all the ramifications of influence which we frankly concede must be in the possession of persons engaged in a conspiracy such as is herein charged, in order to render effective the objects of such a conspiracy, we respectfully state to your board that during the past twelve years, in practically each and every case where a great conspiracy involving gross misuse of financial power in violation of the laws of the country has been prosecuted by the government, it has almost without exception proven true, that the directing and controlling force in planning and executing these crimes have been the members of the firm of J. P. Morgan & Co., and the selfsame group of associates who have been so active in furthering the conspiracy alleged herein. As incidents to the organization and operation of the Northern Securities Company, Steel, Coal, Meat, Harvester, Tobacco, Oil, Money and Railroad Trust

made to purchase millions of dollars' worth of securities and guarantee payment of many millions more, approximately seventy million dollars, all of which have proved to be of little or no value. Records of the transactions relating to the stocks and bonds of the Hamilton and Dayton and Pierre Marquette companies, in which members of the firm of J. P. Morgan & Co. were involved, abound with instances of turpitude, of which the following is a fair example: At a time when these railroads were absolutely bankrupt and their stocks worthless, members of the firm of J. P. Morgan & Co., as owners thereof, actually sold these stocks at the price of two hundred dollars per share, to another railroad company, on the Board of Directors of which certain of their number sat, and whose entire directorate was nominated and elected by a voting trust managed by the firm. An outcry from stockholders forced a rescinding of the infamous bargain, and in the next thirty days both the Hamilton and Dayton and Pierre Marquette companies were in the hands of receivers, and reports of these receivers indicated that stocks of these companies, as well as vast masses of their bonds, were without real value. The undersigned, counsel for the complainants and petitioners herein, serving as a member of Congress, personally laid before the Interstate Commerce Commission evidence relating to the Baltimore and Ohio matters, as above recited, and at his instance the commission conducted said inquiry. The president and counsel of the Baltimore and Ohio Company, before the commission, admitted enormous loss to their corporation consequent upon these dealings with the firm of J. P. Morgan & Co., but insisted that the commission allow an advance in rates sufficient to enable the Baltimore and Ohio to recoup itself for these losses, and the commission, after some little delay, did in fact give its consent to the Baltimore and Ohio Company collecting for this very object from the people in the territory served by its lines a material increase in freight rates.

An inspection of the testimony and proof produced in connection with investigation of each one of these, and many other similar nefarious conspiracies directed by the same group, reveals that in each and every case the national banks under the control and management of these men were made to furnish high sums of money for the double purpose of fastening monopolies and conspiracies upon the people of the country, using the people's own money in the banks as a means, and furthermore using the facilities, books and records of the banks to cover their tracks in a series of pretended simulated transactions, frequently using in that connection

of the firm of J. P. Morgan & Co. and their associates, as contemplated by these men in the carrying on of the present most iniquitous conspiracy.

The men in the organizations whom we represent, millions in number, look with horror and detestation upon the terrible game of slaughter, murder, rapine and blood-guiltiness now being played on the battlefields of Europe, inflicting untold misery and destruction upon humanity.

Already the conspirators have drawn from the banks in the Federal Reserve system some two hundred and twenty millions of dollars and used these moneys on contracting and paying for the erection of huge factories in different parts of the United States for the manufacture of instruments of death, and destruction on a scale hitherto undreamt of, so that even now, by the use of these vast sums of money, secured from institutions, parts of a banking system only recently created by the representatives of the people in the hope of breaking the grip of the Morgan group upon the finances and money of the country, we have the awful spectacle of the members of the firm of J. P. Morgan & Co. and their confederate conspirators turning our people and our manufacturing industries into one tremendously great aggregation of murder factories, sending forth each day instruments sufficient to kill countless human beings, and sending to the battlefields of Europe from day to day thousands of poor dumb animals, there to be slaughtered in the most inhuman manner, and as we have said before, all this done by the use of the machinery and resources of a banking system created by the people and sustained by the money and credit of the people.

Once more speaking for the millions of men embraced in the organizations represented by our body, we say to your Honorable Board these things ought to cease and cease now. We say to you further that if there is no power in this government sufficiently strong to cope with the insidious and malignant influence and power of the members of the firm of J. P. Morgan & Co. and the group of cruel-hearted monopolists and forestallers associated with them, and therefore your Honorable Board should find itself without efficient support in the government in an effort to checkmate the work of these vampires using the banks and money of the people as pawns in their awful undertaking of making our land into a nation of murderers for hire, then the working people of this country intend to deal directly with the forces that control and dominate the industries now producing the instruments of murder and destruction, and while the laboring people recognize that were they compelled to take direct action to stop this infamous traffic from being carried

## The Serving of Great Big Baked Potatoes

on the dining cars of the Northern Pacific Railway is NO MORE FAD. It stands, first, for the excellence of these toothsome and specially selected potatoes; second, it emphasizes in a forcible way, the high character and quality of the entire menu. PERFECTION IS ONE THING.

## Northern Pacific Country

where these tubers, which weigh two pounds or more, each, are raised. They are found on ALL our DINING and CAFE cars, and are indeed EPICUREAN in quality and form an important part of our

## Perfected Train Service

Remember this is in connection with your trip to the Pacific Coast Expositions in 1915.

W. F. MERSHON  
Gen'l Agent Pass. Dept.  
1244 Broadway, NEW YORK  
PHONE: Madison Square 4040



eral Reserve Board, addressed to all Federal Reserve banks and member banks, it should be made plain that the Federal Reserve Board disapproves of the member banks making any loans, discounts or advances of money intended for the use of any belligerent government at war, or its agents, and equally disapproves of member banks making any loan, discount or advance of money where the same is to be used in purchasing or paying for any material or supplies intended for the use of any belligerent government, and requesting all officers and directors of member banks to use every reasonable precaution and make diligent inquiry in each case to prevent the use of the lending and discounting facilities of member banks for these purposes, and instructing Federal Reserve banks to refuse rediscounts or loans to a member bank where it appears that the result would be to enable a member bank to continue or renew a pre-existing loan or discount for a belligerent government, or its agents, or where the proceeds had been used in the purchase of materials or supplies intended for use of a belligerent government.

Third. Using the power vested in the

to the extent of several million dollars a day.

There have been visited upon the country within the last fourteen years no less than four different panics, the outgrowth and consequence of the operations of these men, and more than one of these panics was deliberately brought on by them, in order to accomplish their own selfish and ulterior aims and purposes, at the expense of the great body of the people.

As convincing evidence of the truth of these allegations, we ask your honorable board to examine:

The government's bill of complaint and brief of evidence and opinions of Circuit Court of Appeals and Supreme Court of the United States in the case of United States vs. Northern Securities Company, the members of the firm of J. P. Morgan & Co. and others.

The records of the Special Investigating Committee appointed by the House of Representatives in 1912, which sat during 1912-1913, to investigate the ramifications of a great conspiracy engineered by the members of the firm of J. P. Morgan & Co. and certain confederates, for the purpose of monopolizing and controlling the entire banking, money and credit facilities of the country.

Records of investigation conducted by Interstate Commerce Commission, upon order of United States Senate in 1914, concerning conduct of members of firm of J. P. Morgan & Co. and certain other persons associated with them, in the working the great New Haven Railroad conspiracy.

Indictments covering those acts returned against these parties, now on file in United States District Court for Southern District of New York.

Bill of complaint of the government against the same persons, filed in the United States District Court of Massachusetts at Boston, together with plea of defendants admitting truth of allegations in the government's complaint, and consenting to entry of decree against defendants.

The operations of the members of the firm of J. P. Morgan & Co. and their confederates in the New Haven conspiracy resulted in a loss to security holders of New Haven and allied companies, as shown by testimony before the commission, of more than two hundred and fifty million dollars.

Record of investigation conducted by Interstate Commerce Commission in 1914 in regard to looting of Baltimore and Ohio Railroad Company by means of a series of huge transactions in the securities of Cincinnati, Hamilton and Dayton and Pierre Marquette and other railroad corporations, all of which, as it appeared from the testimony, were engineered by the firm of J. P. Morgan & Co. for their own profit, and in consequence of which the Baltimore and Ohio Railroad Company was

never hesitated to come down upon the government with insistent demands that all the money and credit of the government be placed at their disposal whenever it suited their purpose so to do, and have not hesitated, on more than one occasion, to bring on a panic as a means of compelling or inducing the government to yield to such demands.

Unfortunately past administrations have been too amenable to their wiles and influence.

It is only too notorious that in 1907 members of the firm of J. P. Morgan & Co., after forcing a panic in order to compel the owners of the Tennessee Coal and Iron Company to turn their property over to the Steel Trust, arrogantly demanded of the then administration, as conditions precedent for allaying the panic, the deposit of all available government moneys in such banks as members of the firm of J. P. Morgan & Co. would name, and that the administration pledge itself to procure from Congress the enactment of legislation of a character to enable the Morgan clique to obtain from the Treasury in the future, at will, any sum desired up to five hundred million dollars by simply depositing with the Secretary of Treasury stocks or bonds of their different corporations. Unfortunately the administration at that time was sufficiently weak and foolish to yield to all of these demands.

We respectfully request that your Honorable Board grant a speedy public hearing upon the within complaint and petition, and that at such hearing or hearings the undersigned be permitted to offer evidence and testimony establishing the truth of each and every material allegation herein contained. Should your board determine to grant our request in this behalf, the undersigned will be subject to call of your board at any time in order to confer concerning order and method of procedure to be followed at said hearing.

We feel it our bounden duty to say to your Honorable Board, voicing what we know to be the sentiment of the toiling masses of the United States, that the people of this country are exceedingly tired of being exploited in these ways for the benefit of the Morgan group and its confederates, especially because through the medium of these various Morgan conspiracies the group has fastened its clutches upon nearly all of the iron and steel plants, railroads, banks, coal mines, telegraph and telephone lines, and many other of the nation's industries.

And we feel it our further duty to say to your Honorable Board, speaking by direction of the great mass of labor organizations affiliated with our body, that the laboring men of the country are in no humor or frame of mind to observe with patience or equanimity the further continuance of operations

in a series of brave struggles against the great odds of the Morgan power in efforts to improve the condition of the masses of the people of this country, so they will not hesitate now to make the sacrifice necessary for humanity's sake in what our people all believe to be the greatest crisis humanity has ever had to deal with.

It is to be hoped that your Honorable Board will find itself able and equal to the task of enforcing the law against the members of the firm of J. P. Morgan & Co. and their confederates, so as to prevent further use of the moneys of the banks embraced in the Federal Reserve System for the purposes denounced here. Your doing so will avoid much trouble and confusion to our country, but as a very last word, and stating what we know to be the sentiment of the laboring people of the United States, we say to your Honorable Board that end it shall, if not by your action then by other means.

H. ROBERT FOWLER,  
General Counsel of Labor's National Peace Council.

## Flags of France.

France had numerous national flags before it adopted the tricolor. Although its present banner is not particularly artistic, its predecessors ranked among the most beautiful flags in the world. The first French flag was extremely quaint. It consisted of a blue hood hung on a cross bar and represented the cloak of St. Martin, a saint greatly revered by the French, and years ago his helmet was carried in their wars to inspire the soldiers. The second French flag was a beautiful banner of red, with its loose end cut into three tongues resembling flames, between each of which was a green tassel. Some picturesque banners were at one time carried by the French warriors before the tricolor waved over the French battlefields. There was the sky blue cavalry standard with the golden sun of Louis XIV., the white and gold banner of Joan of Arc, magnificently embroidered with the Madonna, angels and lilies, and the famous old banner of the city of Paris, with its white ship on a blood red field.

The Sublime Porte.  
The phrase "the sublime porte" arises from an aspect of the sultan's capital. The French words "sublime porte" are derived from "porta sublimi," meaning "the lofty gate." Constantinople city used to have twelve gates, and near one was a building with an imposing gateway called Bab-i-Humajun. In this building resided the grand vizier, and there also were the offices of the chief ministers, whence all the edicts of state were issued. The French phrase was adopted because at the time French was the language of European diplomacy.



Phoebe Snow.

## "MAID IN AMERICA"

When "Made," they say,  
"In U. S. A."  
They mean the Maid  
Who's made away  
With travel's blight  
Both day and night  
In Using Simply Anthracite!

TO CHICAGO  
AND THE WEST



## THE ROAD OF ANTHRACITE



FEDERAL RESERVE BOARD

AUG 14 1915

FILED DEPT

Aug. 13, 1915.

Dear Sir:

With this I beg to enclose five copies of a report, one copy of which has just been sent to Governor Hamilton. This relates to Labor's National Peace Council and its work. Will you be good enough to advise the members of the Board to whom this is delivered that it is a copy of a report that has been furnished to me for confidential use, and oblige,

Very truly yours,

Governor.

Hon. H. Parker Willis,  
Secretary, Federal Reserve Board,  
Washington, D. C.

BSJr/PE

Encs. (5)



FILING DEPT.

AUG 10 1915

Referred to the letter of

H. Parker Willis - 7/13/15

296.

FEDERAL RESERVE BANK

TO THE GOVERNOR AND MEMBERS OF  
THE FEDERAL RESERVE BOARD,  
Washington, D. C.

On behalf of Labors National Peace Council, the undersigned respectfully submits for consideration and action on the part of your Honorable Board, the complaint and petition following:

The declarations of every neutral government in Europe made since the beginning of the present war, as contained in the proclamations and decrees issued by each and all of the aforesaid neutral governments, show that every one of these countries has forbidden the export or sale of munitions of war, explosives, food stuffs, metals, horses, mules and other supplies, to any of the belligerent nations.

Furthermore, all of these neutral governments have scrupulously refrained from affording aid in money to any of the belligerents, and each European neutral government has expressly forbidden any bank or banking institution having any relation to or connection with the government, or which receives, or is entitled to receive governmental aid, directly or indirectly, from making advances or loans of money to a belligerent government, or its representatives.

The attitude and policy of these neutral European governments, as above recited, reflects a proper obedience to, and respect for certain well-known and thoroughly established high principles of international law.

*J. R. Board investigated  
their State declar.*

*J. R. Board investigated  
their State declar.*

*Whether or not  
or J. R. Board formal  
not as in making  
loans etc. nor is this  
statement to be  
accepted as sound  
without investigation.*



ional law, which may be stated as follows:-

A. The government of a neutral nation must not directly or indirectly furnish or aid, or abet in the furnishing of aid in money to a belligerent government at war.

B. The government of a neutral nation must not furnish, or aid, or abet in furnishing means for the purchase or sale of any material or supplies of any description intended for use of a belligerent government at war.

C. The government of a neutral nation must not permit ships or vessels in the service of a belligerent government at war to receive in the harbors of the neutral country any supplies, equipment, or materials intended for use of a belligerent government at war, except that necessary repairs may be made to a ship or vessel in the service of a belligerent government, and such vessel may receive and secure, in the harbor of a neutral nation, water, provisions and coal sufficient only for a voyage to the nearest foreign port.

We charge that through the medium of an extensive conspiracy, composed of certain bankers and officers and directors of Federal reserve banks and member banks embraced in the Federal reserve system, acting in conjunction with officers and agents of the governments of Great Britain, France and Russia, the United States has been involved in very grave and serious breaches of neutrality, as defined in paragraphs A, B and C above

*not relevant. Our Govt is not aiding or abetting.*

*Shipments are made by merchant vessels. No Govt vessels or Govt supplies or equipment are sent. But Sakellios has that relevant anyway.*

*Not banks to any conspiracies & know nothing about one.*



mentioned.

*Know of none.*

The persons chiefly responsible for, and the dominant factors in this conspiracy are the members of the firm of J. P. Morgan & Company, and certain other persons now serving as officers and directors of various Federal reserve banks and member banks, who secured these positions through the influence of the firm of J. P. Morgan & Company, or other business allies of said firm, or who are subject to and under control of its influence.

9

*Irrelevant, none of our affair.*

The members of this firm, as early as August 1914, in furtherance of the conspiracy, began making personal representations to officers of the governments of Great Britain, France and Russia, to the effect that in the event said governments would employ the firm of J. P. Morgan & Company as agents, said firm would provide facilities in the United States which would enable one or more of these governments to obtain in the United States credits to the amount of at least five hundred million (\$500,000,000.) dollars, said credits to be based upon and secured by obligations of one or more of said governments, or by securities of American federal, state and municipal governments, or railroad and industrial corporations, as might be best available and procurable by, or on behalf of the governments of Great Britain, France and Russia. The proposal provided that the proceeds of credits to be obtained as aforesaid, were to be applied and used under the direction of the said

10



firm of J. P. Morgan & Company, for the purpose of purchasing in the United States supplies of munitions of war, metals, horses, mules, clothing, food products, automobiles, submarines, aeroplanes and other supplies, for use of the aforesaid foreign governments.

The members of the said firm of J. P. Morgan & Company further represented to officers of the governments of Great Britain, France and Russia that the said firm of J. P. Morgan & Company, and certain individuals and corporations, business associates of the firm, in the event J. P. Morgan & Company were employed as agents, were in a position to, and would furnish a large number of vessels and ships for use as transports in the service of these governments, in carrying and transporting the war munitions, materials and supplies to be purchased and paid for with the proceeds of the credits hereinbefore referred to.

After prolonged personal negotiations between members of the firm of J. P. Morgan & Company and representatives of the governments of Great Britain, France and Russia, and in furtherance of the conspiracy, as herein charged, a series of agreements were entered into between the firm of J. P. Morgan & Company and representatives of the governments of Great Britain, France and Russia, under which the proposals of the firm of J. P. Morgan & Company were accepted and the terms and conditions of their employment and authority as agents,

*Irrelevant. Know  
nothing about it.*

*Irrelevant. Know  
nothing about it.*



together with their compensation, defined and fixed.

Following consummation of the agreements as aforesaid, the firm of J. P. Morgan & Company, with the aid and assistance of certain officers and directors of Federal reserve and member banks, as hereinbefore specified, and in furtherance of the conspiracy, completed a large number of transactions for account of the English, French and Russian governments, acting as the agents of said governments, which accomplished:

FIRST: The procurement from various member banks, including the First National Bank, National City Bank, National Park Bank, National Bank of Commerce and other banks and banking institutions in the City of New York, and from various banking institutions throughout the country, all of whom were member banks, included in the Federal reserve system, loans, discounts and money advances and credits, amounting in all to more than two hundred million (\$200,000,000) dollars. In a large number of these transactions it was made to appear that the same represented bankers' foreign bills of exchange and acceptances, innocently drawn in the regular course of legitimate business by J. P. Morgan & Company, whose members were, and are, parties to the conspiracy.

In a still greater number of said transactions the method pursued by the conspirators was to secure loans from member banks in behalf of one or more of their number, the collateral for the loans being stocks and bonds of various domestic corporations and

*Know nothing about it.*

*never heard of any such transactions.*

*never heard of such loans.*

13

14

15



bonds issued by different cities and states.

SECOND, there have been furthermore obtained from Federal reserve banks, by or on behalf of the conspirators, sums in excess of twenty million (\$20,000,000) dollars, through discount of notes, drafts, acceptances and bills. These transactions were made to appear on their face so that the moneys furnished by the Federal reserve banks were seemingly used in furtherance of purely commercial transactions for agricultural, industrial and commercial purposes. The agricultural products or other wares, merchandise or live stock, purchased and paid for with the proceeds of the moneys thus obtained being apparently purchased or sold in the ordinary course of actual commercial transactions.

We charge that in respect to all the loans, discounts and advances, amounting to the said sums of two hundred million (\$200,000,000) dollars, or more, which have been obtained by or on behalf of the conspirators from member banks, and in regard to the other twenty million (\$20,000,000) dollars, or more, of moneys similarly obtained by or on behalf of the conspirators from Federal reserve banks, that all of the sums so procured, have in fact been secured by the conspirators as agents of the governments of Great Britain, France and Russia, and that said moneys have been utilized exclusively in connection with the purchase and shipment from within the United States of war materials, munitions, food supplies, clothing, horses, mules, submarines, aeroplanes, vessels

*ch. such transactions known. But we have purchased largely for So. Amer. Trade & Export of Cotton, Sugar Etc. If they relate to Govt. purchase do not show on face & bills just as much for German & Austrian as for allies etc. Statute as to law.*

*Know nothing about it. If true in any respect, we must discontinue our foreign trade, as no means of distinguishing.*

16

17



and for the purchase or chartering of ships and vessels to serve as transports from ports of the United States in the service of one or more of said belligerent governments.

We further charge that there has existed, and now exists, a full and complete knowledge on the part of many officers and directors of various member banks and Federal reserve banks, that this vast mass of loans, discounts, and money advances, have been obtained by the conspirators, acting as agents and representatives of the governments of Great Britain, France and Russia, with intent to utilize the moneys received exclusively for the purpose of purchasing in the United States war materials, munitions, food supplies, clothing, blankets, horses, mules, submarines, aeroplanes, and defraying the cost of purchasing or chartering ships and vessels to be used as transports from ports of the United States in the service of the governments of Great Britain, France and Russia.

We charge that these officers and directors of member banks and Federal reserve banks, possessing this guilty knowledge as aforesaid, have aided and abetted the conspirators in the carrying on and the consummation thereof, at the request and behest of the conspirators, and that all these persons have sedulously concealed from your Honorable Board, the Comptroller of the Currency, and the national bank examiners, the real character of these transactions and true purposes for

*Choussance - 9/20  
wonder for perfect  
Cautel -*

18

*Choussance -*

19



Probably a bluff.

which the moneys were being used, and that the said officers and directors of these member banks and Federal reserve banks have been induced so to do by the conspirators, in some cases through personal profit to be derived from the transactions, and in other cases because such officers and directors were under the complete dominion and control of the conspirators.

Laval & Broken.  
Any belligerent can  
borrow here if their  
credit is good.

We further charge that it is the present intention of the conspirators to obtain from member banks and Federal reserve banks additional loans and advances of money for the benefit of the governments of Great Britain, France and Russia, to the amount of more than three hundred million (\$300,000,000) dollars, and that negotiations are now being actively carried on for the purpose of enabling the conspirators to obtain immediately from member banks and Federal reserve banks this great sum of money for the benefit of the aforesaid governments, for use in the same manner as hereinbefore described.

20

Unless we grant  
credit our commerce  
will cease. Know of  
no such loans, but  
think they should  
be arranged if  
possible. Cotton etc.

With knowledge that the condition of affairs above specified actually exists with reference to member banks and Federal reserve banks in the Federal reserve system, we feel fully justified in saying that the country is about to be confronted with a crisis, not only in its banking system, but also in its relations to certain of the belligerent countries now at war. In our judgment it is perfectly clear that unless the operations of the conspirators in obtaining moneys from member banks and Federal reserve banks are immediately suppressed

21



and put an end to, the consequence will be that these institutions will be loaded down with enormous commitments, growing out of transactions of a character absolutely forbidden by Congress in the Federal reserve act, and which seemed well designed to afford certain of the belligerent governments now at war a perfect opportunity in their own good time to present a huge bill or claim for indemnity from the United States.

According to the well settled precedents of international law, should such a claim for indemnity be made, based upon a state of facts, such as are herein described, and the claim be submitted to arbitration, it would, of course, appear from the face of the testimony that the case was one divisible into two parts, for the reason that a decision concerning liability of the government of the United States on account of loans or money advances, made by Federal reserve banks, would rest upon considerations that would not apply in the same degree or with same force and effect in determining the liability of our government, because of loans or advances made by member banks. The transactions herein complained of as being now carried on by the two classes of institutions must, therefore, be considered separately. It would seem to us that this separation as to origin and degree of governmental liability may be fairly described as follows: With respect to loans, discounts or money advances, made by Federal reserve banks, these are clearly the act of the government itself. A reading of the

*Cite law to support  
any such claim.*

*Not at all.*



Federal Reserve Act makes it perfectly plain that Federal reserve banks are government institutions, and that their officers, as well as the members of the Federal reserve board, are officers of the United States within the meaning of the Consitution of the United States, as construed and applied by the Supreme Court of the United States in numerous decisions.

No -  
See of P.M.G.  
referred -

As regards loans, discounts and money advances, made by member banks, in our judgment the legal situation with reference to governmental liability is somewhat different from that which would be found controlling and decisive in reference to Federal reserve banks. While it is, of course, true that by terms of the Federal Reserve Act all member banks are subject in their operations to control and supervision of officers of the government, and many of them are recipients of government deposits, and member banks themselves are invested with power, subject to certain conditions, of issuing currency, for payment of which the government itself becomes obligated under terms of the National Bank Act, yet it is not clear that the original act of a member bank in making loans or advances of money, found to have been utilized for the benefit or account of a belligerent government, would be held by an International Court of Arbitration to be the act of the government or an act which bound the government in any way.

23

Romance!

However, should it appear in evidence that, subsequent to the original advance or loan by the member



*abscond. Our  
foreign business  
would stop.*

bank (an undertaking in which there was no participation by any officer of the government), the member bank had applied to the Federal reserve bank for a loan or re-discount, with actual intent of obtaining aid in money from the Federal reserve bank for the purpose of enabling it (the member bank) to continue or renew a pre-existing loan made to a belligerent government or its agents, and if it appeared that the member bank did in fact obtain a loan of money from the Federal reserve bank, which in turn enabled the member bank to make a loan to a belligerent government or its representatives or agents, then an International Court of Arbitration would doubtless hold that our government was liable for having extended and furnished aid in money to a belligerent government, even though it was conceded that the Federal reserve bank had no notice or information that the purpose of the member bank in obtaining the money was to use it for either of the aforesaid purposes, nor would such a ruling or holding of the Court of Arbitration be affected or modified upon a showing that the member bank in obtaining a loan from the Federal reserve bank, had done so by the use of collateral upon which the Federal reserve bank had a perfect right to loan, according to the terms of the Federal Reserve Act. The determining factor, as affecting the liability of our government, would be the one consideration as to what the money was actually used for, and no plea in abatement could be successfully interposed by way of proof that the Federal



reserve bank had absolutely no information tending even to put it on inquiry or notice that the true object for which the loan was sought or the money to be used was other than an entirely legitimate commercial purpose.

The contentions as advanced by our own government in the Alabama case, as upheld by the International Court of Arbitration, and at the instance of our government written into the body of International Law, when examined, are found sufficient in themselves to establish the correctness of the view here expressed on this branch of the matter now under consideration.

In view of the foregoing, we earnestly urge that your Honorable Board immediately take strong and drastic preventative action to the end of safeguarding the United States against further violations of its neutrality, and so as to guard effectively in the future against the commission of acts by member banks and Federal reserve banks included in the Federal reserve system, which, if not stopped by action on the part of your Honorable Board, will, in the near future, and with unerring certainty, create conditions that will result either in our Government being made liable for an indemnity probably reaching in amount the sum of One Billion Dollars, or find the country confronted with the threatening menace of an impending bank panic consequent upon the actions of the member banks in becoming waterlogged with loans made upon an abnormally large scale to agents of belligerent governments, and secured only by stocks

*Look up case.  
Think it has no  
bearing.*

*Should examine foreign  
credit.*

*Commence disaster  
won't result from  
any such plan.*

25

26



and bonds and notes, drafts and acceptances of such agents.

In a situation of that character, one which we again repeat, will most surely happen in the event of the failure of your Honorable Board to take immediate preventative action, your Board will find itself. faced with the unpleasant alternative of being unable on the one hand to rediscount for the member banks, because the rediscounts would enable these banks to continue the loans and discounts made to agents of belligerent governments, and so in effect cause our government to be furnishing aid in money to belligerent governments at war; or, on the other hand, your Honorable Board, if it nevertheless determined to authorize and direct the Federal reserve banks to come to the rescue of the member banks in such an exigency by discounting and rediscounting in an elaborate scale, your Board would be then subjected to the painful embarrassment that this action of the Federal reserve banks, while it would accomplish the purpose of preventing a bank panic, would, at the same time, make our government liable to certain of the belligerent governments now at war, for the payment of an enormous war indemnity because of the breach of neutrality committed by our government in permitting one of its branches ( the Federal reserve banks) to furnish member banks with huge sums of money to enable the member banks to continue loans and discounts to other belligerent governments and agents thereof.

*We might as well  
shut up shop.*



As steps in preventative action on the part of your Honorable Board, we earnestly urge that you without delay, materially modify and reform your various regulations, orders and rulings as set forth in Federal Reserve circulars Nos. 2, 3, 4, 5, 8, 11 and 12, series of 1915. We request that these several documents be so modified as to make perfectly plain by proper order and regulation, instructions controlling upon Federal reserve banks and member banks the following :

FIRST: No Federal reserve bank shall hereafter discount any note, draft or bill of exchange purporting to arise out of a commercial transaction, or apparently drawn for agricultural, industrial or commercial purposes, secured by staple agricultural products, goods wares, merchandise or otherwise, except the officers of said Federal reserve bank first make proper and diligent inquiry to discover whether the person or persons in whose favor such note, draft or bill of exchange is drawn, or the maker or makers thereof or either or any of them, are acting as agents or representatives of any foreign belligerent government at war, and whenever the amount of any such note, draft or bill of exchange offered for discount shall be \$50,000 or more, the Federal reserve bank shall require to be furnished an affidavit from the maker, acceptor or beneficiary in which must be set forth in detail the true facts and history of the transaction sought to be accomplished by the proposed loan or discount; and should the inquiry or affidavit reveal any evidence

*Annex has and dangerous.*

28

*28*

29



tending to show that the proceeds of the loan or discount are to be used for the benefit of any belligerent government, or its agent, or utilized in connection with the purchase or sale of any materials or supplies intended for the use of any belligerent government or its agents, then the Federal reserve bank shall refuse to make such loan or discount.

SECOND: By circular from the Federal Reserve Board, addressed to all Federal reserve banks and member banks, it should be made plain that the Federal Reserve Board disapproves of the members banks making any loans, discounts or advances of money intended for the use of any belligerent government at war, or its agents, and equally disapproves of member banks making any loans, discount or advance of money where the same is to be used in purchasing or paying for any material or supplies intended for the use of any belligerent government, and requesting all officers and directors of member banks to use every reasonable precaution and make diligent inquiry in each case to prevent the use of the lending and discounting facilities of member banks for these purposes, and instructing Federal reserve banks to refuse rediscounts or loans to a member bank where it appears that the result would be to enable a member bank to continue or renew a pre-existing loan or discount for a belligerent government, or its agents, or where the proceeds had been used in the purchase of materials or

*Unneutral and  
dangerous. Would  
stop our Commerce.*

30



supplies intended for use of a belligerent government.

THIRD: Using the power vested in the Federal Reserve Board under Section 11 of the Federal Reserve Act, there should be frequent examinations of the accounts, books and affairs of the more important member banks and Federal reserve banks to ascertain which of these, if any, are continuing to make discounts or advances of money for use or benefit of a belligerent government or its agents.

As having a bearing upon the foregoing, and a consideration thereof by your Honorable Board, and as a clear indication of the opinion of our government concerning the proper policy to be pursued by a neutral government with regard to loans or advances of money for the benefit of a belligerent government, we respectfully submit the following :

In August 1914, J. P. Morgan of the firm of J. P. Morgan & Company, informed Mr. Secretary Bryan that his firm were considering the making of a loan to the French government of one hundred million (\$100,000,000) dollars, and desired before making the loan to ascertain what the position of our government would be toward such a transaction, whether in the judgment of the officers of the government the making of such a loan by the firm would involve our government in a breach of neutrality.

Speaking for our government, Mr. Secretary Bryan answered as follows :- "There is no reason why loans should not be made to the governments of neutral nations,

*Annulment Exercise  
B. Power of Submission*

*Not unneutral*

*Bryan wrong.  
Our market open  
to all.*

31

32

33

34



but, in the judgment of this government loans by American bankers to any foreign nation, which is at war, are inconsistent with the true spirit of neutrality."

Lest your Honorable Board fall into the error of refusing to consider seriously the material allegations of this complaint, in the mistaken belief that no one set or clique of bankers or financiers could possess sufficient power and authority, or are in control of an organization having all the ramifications of influence which we frankly concede must be in the possession of persons engaged in a conspiracy such as is herein charged, in order to render effective the objects of such a conspiracy, we respectfully state to your Board that during the past twelve years, in practically each and every case where a great conspiracy involving gross misuse of financial power in violation of the laws of the country has been prosecuted by the government, it has almost without exception proven true, that the directing and controlling force in planning and executing these crimes have been the members of the firm of J. P. Morgan & Company, and the selfsame group of associates who have been so active in furthering the conspiracy alleged herein. As incidents to the organization and operation of the Northern Securities Co., Steel, Coal, Meat, Harvester, Tobacco, Oil, Money and Railroad Trust conspiracies, all the product and work of the men involved in the present conspiracy, the mass of the people of America have been during the period above named and are now being robbed to the extent of several million dollars a day.

35

There have been visited upon the country within the last fourteen years no less than four different

No relation to  
matter under dis-  
cussion -



panics, the outgrowth and consequence of the operations of these men, and more than one of these panics was deliberately brought on by them, in order to accomplish their own selfish and ulterior aims and purposes, at the expense of the great body of the people

36

As convincing evidence of the truth of these allegations, we ask your Honorable Board to examine :

37

The government's bill of complaint and brief of evidence and opinions of Circuit Court of Appeals and Supreme Court of the United States in the case of United States -v- Northern Securities Company, the members of the firm of J. P. Morgan & Company and others.

38

The records of the Special Investigating Committee appointed by the House of Representatives in 1912, which sat during 1912-1913, to investigate the ramifications of a great conspiracy engineered by the members of the firm of J. P. Morgan & Company, and certain confederates, for the purpose of monopolizing and controlling the entire banking, money and credit facilities of the country,

39

Records of investigation conducted by Interstate Commerce Commission, upon order of United States Senate in 1914, concerning conduct of members of firm of J. P. Morgan & Company, and certain other persons associated with them, in the working the great New Haven Railroad conspiracy.

40

Indictments covering those acts returned against these parties, now on file in United States District Court for Southern District of New York.

41

Bill of complaint of the government against the same persons, filed in United States District Court of Massachusetts at Boston, together with plea of

42

Not Political  
Book.

Not Relevant.

Not Relevant.

so-

so-

so-



defendants admitting truth of allegations in the government's complaint, and consenting to entry of decree against defendants.

so- The operations of the members of the firm of J. P. Morgan & Company and their confederates in the New Haven conspiracy resulted in a loss to security holders of New Haven and allied companies, as shown by testimony before the Commission, of more than two hundred and fifty million dollars. 43

Record of investigation conducted by Interstate Commerce Commission in 1914 in regard to looting of Baltimore & Ohio Railroad Company by means of a series of huge transactions in the securities of Cincinnati, Hamilton & Dayton and Pierre Marquette and other railroad corporations, all of which, as it appeared from the testimony, were engineered by firm of J. P. Morgan & Company for their own profit, and in consequence of which the Baltimore & Ohio Company was made to purchase millions of dollars worth of securities and guarantee payment of many millions more, approximating seventy million dollars, all of which have proved to be of little or no value. 44  
Records of the transactions relating to the stocks and bonds of Hamilton & Dayton and Pierre Marquette Companies, in which members of the firm of J. P. Morgan & Company were involved, abound with instances of turpitude, of which the following is a fair example : At a time when these railroads were absolutely bankrupt and their stocks worthless, members of the firm of J. P. Morgan & Company, as owners thereof, actually sold these stocks at the price of two hundred dollars per share to another railroad company, on the Board of Directors of



which certain of their number sat, and whose entire Directorate was nominated and elected by a voting trust managed by the firm. An outcry from stockholders forced a rescinding of the infamous bargain, and in the next thirty days both the Hamilton & Dayton and Pierre Marquette Companies were in the hands of Receivers, and reports of these Receivers indicated that stocks of these Companies, as well as vast masses of their bonds, were without real value. The undersigned, counsel for the complainants and petitioners herein, serving as a Member of Congress, personally laid before the Interstate Commerce Commission evidence relating to the Baltimore & Ohio matters, as above recited, and at his instance the Commission conducted said inquiry. The President and Counsel of the Baltimore & Ohio Company, before the Commission, admitted enormous loss to their corporation consequent upon these dealings with the firm of J. P. Morgan & Company, but insisted that the Commission allow an advance in rates sufficient to enable the Baltimore & Ohio to recoup itself for these losses, and the Commission, after some little delay, did in fact give its consent to the Baltimore & Ohio Company collecting for this very object from the people in the territory served by its lines, a material increase in freight rates.

An inspection of the testimony and proof produced in connection with investigation of each one of these, and many other similar nefarious conspiracies directed by the same group, reveals that in each and every case the national banks under the control and management of these men were made to furnish high sums of money for the double purpose of fastening monopolies

45



and conspiracies upon the people of the country, using the people's own money in the banks as a means, and furthermore using the facilities, books and records of the banks to cover their tracks in a series of pretended simulated transactions, frequently using in that connection fraudulent book entries and counterfeit loans, purchase and sales, to give a simulated appearance of legitimacy and legality to the dealings.

In the past the members of this firm and the men combined with them have never hesitated to come down upon the government with insistent demands that all the money and credit of the government be placed at their disposal whenever it suited their purpose so to do, and have not hesitated, on more than one occasion, to bring on a panic as a means of compelling or inducing the government to yield to such demands.

Unfortunately past administrations have been too amenable to their wiles and influence.

It is only too notorious that in 1907 members of the firm of J. P. Morgan & Company, after forcing a panic in order to compel owners of the Tennessee Coal & Iron Company to turn their property over to the Steel Trust, arrogantly demanded of the then administration, as conditions precedent for allaying the panic, the deposit of all available government moneys in such banks as members of the firm of J. P. Morgan & Company would name, and that the administration pledge itself to procure from Congress the enactment of legislation of a character to enable the Morgan clique to obtain from the Treasury in the future, at all, any sum desired up to five hundred million dollars by simply depositing with the Secretary

46

47

48

no  
Court says no!



of Treasury stocks or bonds of their different corporations. Unfortunately the administration at that time was sufficiently weak and foolish to yield to all of these demands.

We respectfully request that your Honorable Board grant a speedy public hearing upon the within complaint and petition, and that at such hearing or hearings the undersigned be permitted to offer evidence and testimony establishing the truth of each and every material allegation herein contained. Should your Board determine to grant our request in this behalf, the undersigned will be subject to call of your Board at any time in order to confer concerning order and method of procedure to be followed at said hearing.

We feel it our bounden duty to say to your Honorable Board, voicing what we know to be the sentiment of the toiling masses of the United States, that the people of this country are exceedingly tired of being exploited in these ways for the benefit of the Morgan group and its confederates, especially because through the medium of these various Morgan conspiracies the group has fastened its clutches upon nearly all of the iron and steel plants, railroads, banks, coal mines, telegraph and telephone lines, and many other of the nation's industries.

And we feel it our further duty to say to your Honorable Board, speaking by direction of the great mass of labor organizations affiliated with our body, that the laboring men of the country are in no humor or frame of mind to observe with patience or equanimity the further continuance of operations of the firm of J.P. Morgan & Company and their associates,

No. Purpose is  
not honest &  
request should  
not be granted.

Not relevant -

Is this a threat?

49

50

51



as contemplated by these men in the carrying on of the present most iniquitous conspiracy.

The men in the organizations whom we represent, millions in number, look with horror and detestation upon the terrible game of slaughter, murder, rapine and blood-guiltiness now being played on the battlefields of Europe, inflicting untold misery and destruction upon humanity.

Already the conspirators have drawn from the banks in the Federal Reserve System some two hundred and twenty millions of dollars and used these moneys on contracting and paying for the erection of huge factories in different parts of the United States for the manufacture of instruments of death and destruction on a scale hitherto undreamt of, so that even now, by the use of these vast sums of money, secured from institutions, parts of a banking system only recently created by the representatives of the people in the hope of breaking the grip of the Morgan group upon the finances and money of the country, we have the awful spectacle of the members of the firm of J. P. Morgan & Company and their confederate conspirators turning our people and our manufacturing industries into one tremendously great aggregation of murder factories, sending forth each day instruments sufficient to kill countless human beings, and sending to the battlefields of Europe from day to day thousands of poor dumb animals, there to be slaughtered in the most inhuman manner, and as we have said before, all this done by the use of the machinery and resources of a banking system created by the people and sustained by the money and credit of the people.

Very bad. No relation to the question.

Not so. Answer falls. Neutrality forbids change of price.



Once more speaking for the millions of men embraced in the organizations represented by our body, we say to your Honorable Board, these things ought to cease and cease now. We say to you further that if there is no power in this government sufficiently strong to cope with the insidious and maleficent influence and power of the members of the firm of J.P. Morgan & Company and the group of cruel hearted monopolists and forestallers associated with them, and therefore your Honorable Board should find itself without efficient support in the government in an effort to checkmate the work of these vampires using the banks and money of the people as pawns in their awful undertaking of making our land into a nation of murderers for hire, then the working people of this country intend to deal directly with the forces that control and dominate the industries now producing the instruments of murder and destruction, and while the laboring people recognize that were they compelled to take direct action to stop this infamous traffic from being carried on by the use of the money of the people, that their doing so would be attended with great temporary loss and privation to themselves, yet having in the past endured all these things in a series of brave struggles against the great odds of the Morgan power in efforts to improve the condition of the masses of the people of this country, so they will not hesitate now to make the sacrifice necessary for humanity's sake in what our people all believe to be the greatest crisis humanity has ever had to deal with.

It is to be hoped that your Honorable Board

*Rediculous*

54



will find itself able and equal to the task of enforcing the law against the members of the firm of J. P. Morgan & Company and their confederates, so as to prevent further use of the moneys of the banks embraced in the Federal Reserve System for the purposes denounced here. Your doing so will avoid much trouble and confusion to our country, but as a very last word, and stating what we know to be the sentiment of the laboring people of the United States, we say to your Honorable Board that end it shall, if not by your action, then by other means.

(SIGNED) H. ROBERT FOWLER,

General Counsel for Labors National Peace Council.

7/12/15



1. H. PARKER WILLIS  
SECRETARY  
SHERMAN P. ALLEN  
ASSISTANT SECRETARY

MAILING DEPT.

FEDERAL RESERVE BOARD

WASHINGTON

OCT 26 1915

FEDERAL RESERVE BANK

[From B. Strong Jr.]  
195

Oct. 24, 1910

[1915]

Dear Mr Strong:

Please accept my best thanks  
for the <sup>box of</sup> very delicious apples you have  
been kind enough to send me. I am follow-  
ing the recipe for preventing them from  
spoilage expressed in the old-time instruc-  
tion to "keep in a cool place where there  
are children", - with corresponding satisfac-  
tion to the family.

Sincerely yours,

H. Parker Willis

Mr Bay. Strong Jr.,  
New York City



[Frank B. Strong Jr.] 195

November 22nd, 1915.

My dear Dr. Willis:

Your publishers have just delivered to me a copy of your book "The Reserve System", which I am anticipating reading with keen pleasure.

I know you will not object to my making a few marginal notes in regard to some features of the Act that we have recently been discussing and then writing you on the subject.

We must get together on this clearing matter and agree to a course to be pursued. I am glad to have this book to study in connection with it, as it will throw more light on the original plan of the bill than I have yet been able to gather from the proceedings before the Senate Committee and the debate in Congress.

I am also taking the liberty of sending this copy to you under separate cover, as I would like very much to have your autograph in the front.

Very truly yours,

Dr. H. Parker Willis,  
Federal Reserve Board,  
Washington, D. C.

BS Jr/VCM



195

2809 ONTARIO ROAD

Washington, D.C.  
Nov. 25, 1915

My dear Gov. Throup:

Many thanks for your very courteous letter about my book. The book itself duly arrived, and I was, of course, happy to autograph & return it.

I shall indeed be happy to see any notes you may feel like making; and am sure I shall profit by them. As to clearing, I shall be particularly interested in getting at feasible means of bringing the law



2.

into full + Early operation.

Yours sincerely,

H. Parker Willis

Brig. Henry Eng<sup>r</sup>,

Gov. F.R. Bank of N.Y.

N.Y. City.



[From B Strong Jr] 195

December 13th, 1915.

Dear Sir:

Mr. Strong is greatly interested in securing a bound volume of the various issues of the Federal Reserve Bulletin for his private library. With the exception of the June issue, there is a set of the Bulletins for which there is no need in the bank, and Mr. Strong would greatly appreciate it if you could supply this copy.

Thanking you in anticipation of your courtesy,  
I am,

Very truly yours,

Secretary to Mr. Strong.

Dr. H. Parker Willis,  
Federal Reserve Board,  
Washington, D. C.

VCM



EX-OFFICIO MEMBERS

WILLIAM G. MCADOO  
SECRETARY OF THE TREASURY  
CHAIRMAN  
JOHN S. ALTON WILLIAMS  
COMPTROLLER OF THE CURRENCY

PCM.

FEDERAL RESERVE BOARD

WASHINGTON

2 From B Strong Jr 7 1915  
CHARLES S. HAMLIN, GOVERNOR  
FREDERIC A. DELANO, VICE GOVERNOR  
PAUL M. WARBURG  
W. P. G. HARDING  
ADOLPH C. MILLER

H. PARKER WILLIS, SECRETARY  
SHERMAN ALLEN, ASST. SECRETARY

ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

December 14, 1915  
U. S. A. R.  
17 1915

Mr. Benjamin Strong, Jr.,  
Governor, Federal Reserve Bank,  
New York, N. Y.

Dear Sir:-

Your letter of December 13th, asking for an additional copy of the June issue of the Federal Reserve Bulletin for binding, is received and I have directed that it be sent to you under separate cover. The issue of this month is practically exhausted.

For your information I may say that we are not having the first volume bound for the Board pending a decision as to whether the annual report to be issued early in January may not be printed of the same size for binding with the Bulletin.

Very respectfully,

*H. Parker Willis*

Secretary.



FEDERAL RESERVE BOARD

WASHINGTON

RECEIVED  
DEC 15 1915 8 38 AM  
FEDERAL RESERVE BANK  
OF NEW YORK



[From B Strong] 1915

December 18th, 1915.

Dear Sir:

With further reference to your favor of the 14th to Mr. Strong regarding the Federal Reserve Bulletin, Mr. Strong would like to know if it will be possible to secure one of the bound copies to be issued by the Board for his private library? If this is possible, the June copy which you were good enough to forward will be returned. Mr. Strong wishes me to thank you for your courtesy in this connection.

Very truly yours,

Secretary to Mr. Strong.

Dr. H. Parker Willis,  
Federal Reserve Board,  
Washington, D. C.

VCM



[From B. Slattery Jr.]

195

November 13th, 1916.

My dear Dr. Willis:

Just a line to express my congratulations upon the success of your mission to the Philippines and to extend a welcome home which I am unable to do in person.

I am sorry not to be at home and have opportunity to learn something of your experiences in the East and the plans for development of banking in the Philippine Islands. Is there anything in that connection where the Federal Reserve Bank of New York may be of any service? If so, I know you will not hesitate to point it out.

With kindest regards, I am,

Very truly yours,

Dr. H. Parker Willis,  
Federal Reserve Board,  
Washington, D. C.

BS/VCM



[From B. Sterling Jr.]  
795  
H. P. Willis

December 7th, 1916.

My dear Dr. Willis:

It was a pleasure to receive your letter of December 2nd and to read the account of the affairs of the Philippine National Bank. You must have had a most interesting experience and I judge that this institution is now started on a useful and prosperous career.

The powers conferred upon the bank by the act of the Philippine Legislature are so much more general and comprehensive than those conferred upon the reserve banks that the limitations as to the amount and character of the business we could transact with the Philippine National Bank are those which apply to us rather than to them. Dealing with them as a foreign institution which would seem to be necessary, opens the possibility for us to conduct the following rather limited transactions as I view the law:

First: We could receive a deposit account from the Philippine National Bank, or if circumstances justified doing so, we could likewise open an account with them. Such accounts, if the business developed to be an active and important one, would be reciprocal in character, we probably carrying an account on their books in pesos and they carrying an account on our books in dollars.



To Dr. Willis.

Dec. 7, 1916.

Second: In case of need we could invest balances carried with the Philippine National Bank in paper of the character described in the Federal Reserve Act as eligible for us to buy in foreign countries.

Third: Should their funds accumulate unduly in New York, we could in a similar way, doubtless buy bills for the Philippine National Bank and hold them in portfolio for their account.

Fourth: We could handle collections and other cash transactions for them in New York and they could handle like transactions for us in the Philippines.

Fifth: We could handle all bullion transactions such as shipments of gold and silver when the market for exchange made it profitable, but this would naturally be conducted through the employment of the Federal Reserve Bank of San Francisco in order to save transportation charges.

So long as the limitations of the Federal Reserve Act are as at present this would seem to be the outside scope of the relationship which could be established.

On the other hand, I presume the Philippine National Bank will need to establish an exchange reserve account in dollars of some importance, just as most of the banks in the East have found it necessary to establish exchange reserve accounts in sterling. If that is the case, there is no reason why we should not carry such reserve account for the Philippine National Bank, nor in fact, why the Federal Reserve Bank should not



To Dr. Willis.

Dec. 7, 1916.

accommodate it from time to time with advances against bills if for any reason its reserve account in dollars became reduced or impaired temporarily.

Unfortunately, reserve banks have no power to open commercial credits, -that most profitable field for a bank relationship would not be open to us in this case, but I should think that in any event the Philippine National Bank would find it necessary to maintain affiliations, and probably very close ones, with one or more commercial banks in this country through which commercial credits could be opened for the benefit of importers and exporters of the two countries.

The intimate relationship of our government through the Philippine government with the Philippine National Bank would seem to make it most logical that that institution and the Federal Reserve System should be associated in some way and, personally, I would like very much to see it brought about. With that in view, I am taking the liberty of sending this correspondence to Mr. Treman at New York and will recommend to him that the matter be taken up with you personally when he is in Washington next week.

Please accept my warmest thanks for the kind things you say in regard to my illness. While I am now well enough to feel very guilty at being away from the office, I have reached that stage of recuperation which seems to be slowest and most tedious and I fear it will still be a good many



To Dr. Willis.

Dec. 7, 1916.

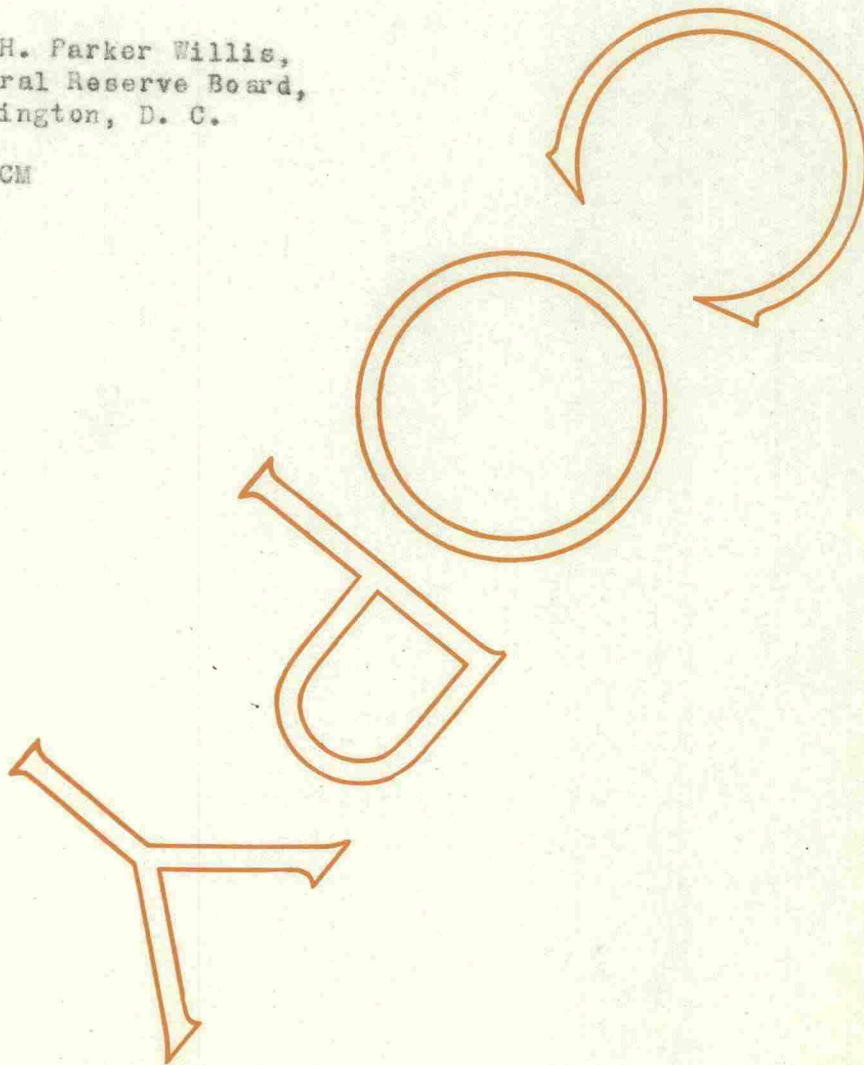
months before I will be able to resume my duties .

With kindest regards, I am,

Very truly yours,

Dr. H. Parker Willis,  
Federal Reserve Board,  
Washington, D. C.

BS/VCM





## EX-OFFICIO MEMBERS

WILLIAM G. MCADOO  
 SECRETARY OF THE TREASURY  
 CHAIRMAN  
 JOHN SKELTON WILLIAMS  
 DEPUTY CHIEF OF THE CURRENCY

## FEDERAL RESERVE BOARD

WASHINGTON

HS

*I From B Strong 7 1917*  
 W. P. G. HARDING, GOVERNOR  
 PAUL M. WARBURG, VICE GOVERNOR  
 FREDERIC A. DELANO  
 ADOLPH C. MILLER  
 CHARLES S. HANLIN  
 H. PARKER WILLIS, SECRETARY  
 SHERMAN P. ALLEN, ASST. SECRETARY  
 AND FISCAL AGENT

ADDRESS REPLY TO  
 FEDERAL RESERVE BOARD

*B.A.W.*

January 27, 1917.

FEB 1 1917

Mr. Benjamin Strong, Jr., *Gov. Federal Reserve Bank of N.Y.*  
 4100 Montview Boulevard,  
 Denver, Colorado.

My dear Mr. Strong:

Your letter of December 7 reached me, I believe, on December 11, just as the meeting of Governors was about to assemble here. Permit me to say that I felt very much gratified at the tone and content of your letter, and found myself in entire agreement with the thoughts you had set forth with reference to possible relations with the Philippine National Bank. Noting that you had said that you were sending the correspondence to Mr. Treman at New York and were recommending to him that the matter be taken up with me personally, I thought it proper to hand him my copies of the correspondence, without comment, because I inferred that the copies transmitted by you would not have reached him before he left New York, so that if he had anything to say to me in the matter, the opportunity would pass by. Mr. Treman, however, said nothing further to me on the subject until just before he was to leave Washington at the close of the conference, when he said that the contents of the letters had been noted, and that the matter would be brought before their board of directors at its next meeting, or, at all events, at the meeting following that one. I did not hear anything further from Mr. Treman, however, and, of course,



did not wish to annoy him with importunate questions. A few days ago, however, I had an immediate need for the correspondence in question, and so wrote to him asking for it, but suggesting that if he still had any need for the data contained in the letters I should appreciate his taking copies of them and retaining them within his files. There has, therefore, been no further development since your letter of December 7, and I rather think that any that may occur will be due to such action as you may think fit to initiate. Whether or not you should see your way clear to any further steps in the matter, I appreciate very sincerely the intelligent interest you have shown in the subject.

I trust that you are making steady progress in health, and that it will not be a great while before you will be able to get back into harness again.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "H. Parker Love", with a long, sweeping underline.



[From B Slamy Jr] 1946  
x 142  
Denver, Colorado,  
February 1, 1917.

My dear Dr. Willis:

Your letter of January 27th is just received and you may be sure that anything that I can do to promote the establishment of relations along the lines of our correspondence ~~between the Philippine National Bank and the Federal Reserve Bank of New York~~ will afford me pleasure.

In general, it seems to me the principle applying in this matter is that we should deal reciprocally with each other to the extent of our respective powers as these two institutions are designed to serve the business and banking interests of this country, and I believe that a somewhat different and possibly more intimate connection is justified than in the case of the ordinary foreign correspondents to be appointed by the Reserve Banks.

Might it not be a good plan for you to advise me in just what ways we could at the present time give some service to the Philippine National Bank in New York? Upon receipt of your letter I would write to Mr. Treman, outlining a plan of procedure and then ask him to take it up with you.

I am glad to say that my health continues to improve and I am beginning now to look forward to the time when I can return home.

With personal regards, believe me,

Very truly yours,

Dr. H. Parker Willis,  
Federal Reserve Board,  
Washington, D. C.

BS/CC



## EX-OFFICIO MEMBERS

G. MCADOO  
 SECRETARY OF THE TREASURY  
 CHAIRMAN  
 SKEELTON WILLIAMS  
 COMPTROLLER OF THE CURRENCY

## FEDERAL RESERVE BOARD

WASHINGTON

HS

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, ASST. SECRETARY  
 AND FISCAL AGENT

ADDRESS REPLY TO  
 FEDERAL RESERVE BOARD

February 27, 1917.

*B. A. H.*  
 MAR 5 1917

Governor Benjamin Strong,  
 4100 Montview Boulevard,  
 Denver, Colorado.

My dear Governor Strong:

Your letter of February 1 came duly to hand.

A few days after my receipt of it, I had news from San Francisco that the Reserve Bank of that place had decided to designate the Philippine National as its correspondent or agent in the Philippines. This was approved by the Board in due course, and subsequently a letter came from the Reserve Bank of San Francisco making inquiry similar to that contained in your letter of the 1st instant. I have just written them a letter in reply, of which a copy is enclosed to you. I have also sent a copy of the same to Mr. Jay who was here a few days ago, and who said that they were still considering the matter in executive committee in New York. The Boston Bank has told me that it also has the matter under advisement, and it would seem that perhaps they may ~~perhaps~~ both decide to do something in regard to the question.

With personal regards and best wishes for the continued improvement of your health, I am

Very truly yours,

*A. Parker Willis*

Enclosures.



HS

February 28, 1917.

Mr. John U. Calkins,  
Deputy Governor, Federal Reserve Bank,  
San Francisco, California.

My dear Mr. Calkins:

Your letter of February 15 was duly received, and I have delayed answering it until now in order that I might have opportunity of talking with Mr. Robinson, the New York representative of the Philippine National Bank, and also with others who are interested in it. In reply to your inquiry I would note first the plan outlined by Mr. Strong in his letter of December 7 to me, of which I have already sent you a copy, but from which I reproduce here the essential points resulting from his analysis of the Federal Reserve Act and the Philippine National Bank Act.

First: We could receive a deposit account from the Philippine National Bank, or if circumstances justified doing so, we could likewise open an account with them. Such accounts, if the business developed to be an active and important one, would be reciprocal in character, we probably carrying an account on their books in pesos and they carrying an account on our books in dollars.

Second: In case of need we could invest balances carried with the Philippine National Bank in paper of the character described in the Federal Reserve Act as eligible for us to buy in foreign countries.

Third: Should their funds accumulate unduly in New York, we could in a similar way, doubtless buy bills for the Philippine National Bank and hold them in portfolio for their account.

Fourth: We could handle collections and other cash transactions for them in New York and they could handle like transactions for us in the Philippines.

Fifth: We could handle all bullion transactions such as shipments of gold and silver when the market for exchange made it profitable, but this would naturally be conducted through the employment



of the Federal Reserve Bank of San Francisco in order to save transportation charges."

Specifically applying these ideas in practice, I would suggest the following:

1. Bills of Exchange:

All collections which the Philippine National Bank receives, drawn on San Francisco, to be forwarded to the Federal Reserve Bank of San Francisco and to be collected and credited by them at par.

2. Payments:

The Federal Reserve Bank to make payments, authorized either by mail or cable, to beneficiaries in San Francisco, without charge.

3. Purchase:

The Federal Reserve Bank of San Francisco to hold itself in readiness to purchase Philippine National Bank bills of exchange payable in the United States, drawn on American bankers or merchants, at current rates, should occasion require.

4. Foreign Exchange:

The Reserve Bank to sell checks and cables drawn on the Philippine National Bank, such drafts to be credited in dollars in the Philippine National Bank account at San Francisco at par, thereby enabling the Reserve Bank to profit to the extent of, say, 1/4 of 1%.

5. The Reserve Bank to pay Philippine National Bank checks or cables drawn on them, at par.

Should the Reserve Bank be disposed to buy sterling bills of exchange, drawn at, say, 30, 60, or 90 days sight, the Philippine National Bank could, of course, build up a considerable business with them, it being understood that they would transfer to New York, at the request of the Philippine National Bank, at par.

If they intend to enter the foreign field through the purchase of bills of exchange, the Philippine National Bank could do a considerable business with them.

This leaves open the question of the opening amount to be placed on deposit with the Reserve Bank by the Philippine National Bank. As we do not know what the amount of the transactions would be likely to be, pending further experience, would it be satisfactory to make an initial deposit of, say, \$25,000?



I should be glad to hear from you fully on any or all of these points, and I should like to have you regard them merely as suggestions, subject to such modification as may be deemed wise.

I have been very glad indeed to hear of the improvement in health of Mr. Kains, and I certainly hope it will continue rapidly.

With personal regards, I am

Yours sincerely,



[From B. Slattery to]

Denver, Colorado,  
March 5, 1917.

My dear Dr. Willis:

I have to thank you for your favor of the 27th ult. in regard to possible relations with the Philippine National Bank, with which was enclosed copy of your letter of February 28th addressed to Deputy Governor Calkins. Direct commercial and banking transactions between San Francisco and Manila are undoubtedly of large volume and I am glad to observe the progress that has been made towards establishing a very natural relationship that should develop to be of importance to both institutions. If the Philippine National Bank accumulates sterling long bills, as intimated by your letter to Mr. Calkins, it might prove advantageous all around for these particular bills to be handled in some way through New York, whenever the business actually materializes. Of course our facilities are entirely at the service of the Federal Reserve Bank of San Francisco and the Philippine National Bank for the purpose of promoting this business, which could be handled either in the general account to be established for sterling transactions or, if preferred, in joint account between New York and San Francisco.

I am exceedingly anxious to get back to the office in order to deal on the ground with all of these questions of foreign arrangements and meantime I am addressing a letter to the office to ascertain what progress is being made.

Again with thanks for your letter and for your good wishes, which I warmly reciprocate, I am,

Very sincerely yours,

H. Dwyer Willis



EX-OFFICIO MEMBERS

WILLIAM G. MCADOO  
SECRETARY OF THE TREASURY  
CH. J. B. MAN  
JOHN K. KELTON WILLIAMS  
COMPTROLLER OF THE CURRENCY

FEDERAL RESERVE BOARD

WASHINGTON

X-144

*[From B Strong]*  
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, ASST. SECRETARY  
AND FISCAL AGENT

ADDRESS REPLY TO  
FEDERAL RESERVE BOARD

May 15, 1917.

Dear Sir:

Will you for our files kindly send us at  
your earliest convenience your home address, in  
order that we may be able to make use of it in writ-  
ing you under conditions of emergency.

Very truly yours,

*H. Parker Willis*  
Secretary.

Mr. Benjamin Strong, jr.,  
Governor, Federal Reserve Bank,  
New York, N. Y.



*[From B Strong]*

May 17th, 1917.

Dear Sir:

Replying to your favor of May 15th addressed to Mr. Strong asking for his home address, I beg to state that at present it is 4100 Montview Boulevard, Denver, Colorado. However, Mr. Strong expects to return to New York City about the middle of June at which time you will be advised of his New York residence address.

Very truly yours,

Secretary to Mr. Strong.

D. H. ~~Parker~~ Willis,  
Secretary, Federal Reserve Board,  
Washington, D. C.

VQ



[From BS/CC]

Denver, Colorado,  
May 22, 1917.

My dear Dr. Willis:

My Secretary has forwarded to me your circular letter of May 15th with inquiry in regard to my residence address. My present address - 4100 Montview Boulevard, Denver, telephone York-1308, will be available only until Sunday of this week as I am leaving for New York on Monday, after which time my addresses will be care the Federal Reserve Bank and the Plaza Hotel, New York City, until you are otherwise notified.

Very truly yours,

Dr. H. Parker Willis,  
Secretary, Federal Reserve Board,  
Washington, D. C.

BS/CC



b) Elliott, M C

1914

Legal Counsel of

Federal Reserve Board

&

(Secretary of  
Revenue Bank Reorganization  
Committee)



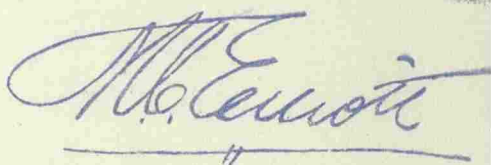
RESERVE BANK ORGANIZATION COMMITTEE.

September 17, 1914.

Dear Governor:

For your information I am handing you abstract of replies received to telegram sent on September 9th to the presidents of the Clearing House Associations in central reserve and reserve cities.

Respectfully,

A handwritten signature in dark ink, appearing to read "M. E. Ewing", is written over a horizontal line. The signature is fluid and cursive.



FEDERAL FILING DEPT.

MAR 3 1919

FEDERAL RESERVE BANK

March 1, 1919.

Dear Mr. Harrison:

I have a note from Mr. Elliott telling me of his resignation and of your appointment as his successor, and I want to be the first to congratulate you on this promotion, which you so well deserve.

I think you know without my saying so that whenever you want any cooperation or assistance at this end of the line, all you have to do is to let us know and we will do the best we can.

With best wishes for your success in the office, I am,

Yours very sincerely,

George L. Harrison, Esq.,  
Federal Reserve Board,  
Washington, D. C.



June 16, 1919.

Dear Mr. Harrison:

Owing to a number of important meetings last week I was unable to see you again as I had hoped to do and continue our conversation.

In a few days I hope to write you more definitely; meantime please be good enough to hold your mind open in regard to the suggestion I made.

Very truly yours,

*BS*

G. L. Harrison, Esq.,  
Counsel, Federal Reserve Board,  
Washington, D. C.

BS/JG



June 20, 1919.

Dear Mr. Harrison:

It is quite likely that I shall be in Washington next Tuesday, and I am writing now just a word of warning to the effect that I propose to pursue my attack upon you vigorously and I hope with some prospect of success.

You must not close your mind to the suggestion until we have another talk.

Very truly yours,



Governor.

George L. Harrison, Esq.,  
Secretary, Federal Reserve Board,  
Washington, D. C.

BS/HF



FEDERAL RESERVE BOARD  
WASHINGTON

LIBRARY

GEORGE L. HARRISON  
GENERAL COUNSEL

JUN 24 1919  
June twenty-one,  
Nineteen nineteen.

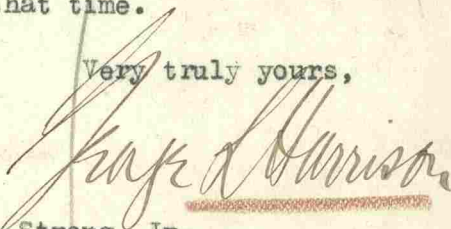
FEDERAL RESERVE BANK

Dear Governor Strong:

I have just received your  
letter of the twentieth and shall be  
very glad to see you in Washington  
next Tuesday.

The Doctors have postponed  
their attack so that I shall surely be  
here at that time.

Very truly yours,



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



D. E. A. Hackmeier  
1922 - 1927

Assistant Administrator  
1919 - 24

Assistant Director  
1925

Acting Director  
1926

Director, Division

of Research + Statistics  
1927 - 45

Federal Reserve Board

*From Goldencrises  
to Henry*  
*[See Henry  
Aug 19/1922]*

EFFECT OF FURTHER GOLD IMPORTS ON FEDERAL RESERVE POLICY.

Developments during the past few months suggest the following conclusions as to Federal reserve bank policy in the near future:

1. Reserve banks should not buy securities when their earning assets decline. To do so means to force reserve bank funds into the market and to encourage inflation. It is far better for the country to have the reserve banks use up part of their surplus to meet expenses than to start a new period of inflation. *When  
rates  
are  
adv*
2. Reserve banks should gradually reduce their holdings of securities and let the volume of their earning assets, which measure the total of reserve bank funds in the market, be determined by the demand for such funds. This demand will manifest itself by offerings of discounts or acceptances brought to the reserve banks. The banks, though being always prepared to take up such offerings, should keep out of the market as bidders for bills or securities.
3. Not only should no further reduction of discount rates be contemplated at present, but the desirability of raising rates in some districts should be carefully considered and developments should be closely watched with that in view.

These conclusions are based upon a study of tendencies since the beginning of the present year. During the winter of 1921-1922 the reserve banks began to feel that the rapid liquidation of their discounts was depleting their earning assets to a point where they were apprehensive about being able to meet their expenses. As a consequence, the banks purchased considerable quantities of Government securities the total of which, as appears on the attached chart, at the end of April rose above the total of discounts. The chart also shows that earning assets, after the seasonal drop in January, remained fairly stationary until the seasonal rise beginning in the middle of August. The stationary condition of earning assets in the face of a constant influx of gold from abroad indicates that



the funds available for use in the market were increasing. If it is true that the funds required by the market at any given time are a definite amount, then funds released by the reserve bank through the purchase of securities or bills will return to the reserve bank through a commensurate reduction in discounts.

It is thus probable that the continued reduction in discounts during 1922 was caused at least in part by the purchase by the reserve banks of Government securities. To the extent that this was so the purchase of securities had no effect on the credit situation, as it left the outstanding volume of Federal reserve funds unchanged. It is worth noting that to this extent the purchase of securities failed of its purpose as it did not increase the earnings of the reserve banks. But in so far as the release of Federal reserve bank funds stimulated speculation or expansion, such funds did not return to the reserve bank and were absorbed by the market.

If one considers the reservoir of funds at the disposal of member and non-member banks as a unit, it becomes clear that the influx of gold from abroad raises the level of available funds in the reservoir unless a similar amount is drawn off into the reserve bank. The rise in the reservoir may be measured by the difference between the gold imported from abroad and the amount of funds withdrawn by the reserve banks through the sale of investments. While it is impossible to determine accurately to what extent this has occurred during the past year, because there are always numerous temporary factors influencing the figures, it would appear that the volume of funds in the market increased somewhat, as gold imports amounted to about \$200,000,000 and exceeded the reduction in earning assets of the reserve banks. Whether this credit expansion was instrumental in starting a revival of business, and to what extent inflation occurred, it is difficult to determine, but the fact that prices have advanced

considerably during the year is presumptive, though not conclusive, evidence of credit expansion beyond the business needs of the country.

138 In normal times such an expansion beyond business needs would bring about its own correctives through the fall of interest rates, the withdrawal of foreign funds, the consequent fall in the exchange value of the dollar, and finally the exportation of gold to correct the exchange. Even now there are forces in operation to counteract the effects of expansion. The Bureau of Labor index of wholesale prices rose from 148 in January to 155 in September. This rise in our price level was not accompanied by a rise of British prices which have remained stationary. This disparity has been reflected in an advance in sterling exchange from \$4.22478 in January to \$4.430696 in September, or from an average discount of 13 per cent to one of 9 per cent. If the pound reaches parity, then the gold movement between the United States and England will begin to operate along normal lines, i.e., a movement of gold will occur whenever the exchange rate will rise above or fall below the gold points. In the case of Canada this normal condition has been reestablished and a considerable movement of gold from this country to Canada is in fact reported.

But the normal correctives can not operate effectively so long as most of the world is off the gold standard and most of the countries are unable to balance their international payments. England has recently made a \$50,000,000 payment on account of interest on her war debt and a second payment of an equal amount is forecast. If to these interest payments there should be added payments on account of principal, then sterling will decline again and resumption of normal gold movements will be deferred for an indefinite period.



There is another corrective that might become operative if the United States absorbs large amounts of foreign securities. Such investments by Americans are equivalent in effect to imports from the debtor countries and would, therefore, strengthen the exchange rates on such countries and thus lessen the incentive for shipping gold. ~~Now But~~ with conditions as far from normal as they are at present, these tendencies would not be sufficiently powerful and would not operate promptly enough to check the flow of gold to the United States. It is probable that for several years to come this country will receive substantially all the new gold produced, or about \$300,000,000 of gold annually.

A more detailed discussion of the various steps through which gold imports become translated into additional credit and of the effects of such additions on the general credit situation follows:

On November 1, 1922, the combined balance sheet of the twelve Federal reserve banks was about as follows:

(In millions of dollars)

Reserves	\$3,212	Deposits	\$1,914
Discounts	588	F. R. notes	2,309
Acceptances	260	Other liabilities	919
Government securities	360		
Total earning assets	1,208	Total liabilities	5,142
Other resources	722		
Total resources	5,142		

What will happen if another \$1,000,000,000 or more of gold is imported into this country? For the purpose of clarifying the operation of separate factors in the situation let it be assumed that the volume of production in this country will remain about constant and that consequently the credit and currency requirements of business will also remain about at the present level. Also for the purpose of

simplifying the problem, let it be assumed that there are only two banks in the United States - the Federal reserve bank and the member bank, the latter representing the entire banking resources of the country. According to the above balance sheet the member bank at present is receiving from the reserve bank about \$1,200,000,000 of credit, partly through discounts and partly through the purchase by the reserve bank of acceptances and Government securities. For the funds released by the reserve bank in payment for these purchases enter the money market and relieve the member bank of a commensurate amount of demand for funds.

Consider now the effect of the arrival of a shipment of \$100,000,000 of gold from abroad consigned to the member bank. The member bank will deposit this gold with the reserve bank, because the metal is of no use to the bank itself, except as an inconvenient form of cash. The member bank does not keep any more cash in its vaults than is necessary for till money and deposits the rest with the reserve bank, where the gold creates a deposit credit available for the reduction of the member bank's indebtedness to the reserve bank or for other purposes.

It is likely that the gold deposited with the reserve bank will be used by the member bank to reduce its indebtedness to the reserve bank by \$100,000,000. If this is done then the reduction in the member bank's own loans occasioned by the receipt of the gold will be reflected in a corresponding decline of its accommodation at the reserve bank, whose reserves will be increased by the same amount. Suppose, however, that the reserve bank decides to dispose of Government securities to the extent of the increase in gold reserves, on the principle that it is better reserve bank policy to pay for gold with investments than with commercial paper, which by the canons of reserve banking is a favored asset. The reserve bank may thus decide to sell \$100,000,000 of securities. This would result in the withdrawal from the market of \$100,000,000 of funds, the member bank



would feel this drain and would borrow \$100,000,000 from the reserve bank to replenish its supply of funds. The consecutive steps in the transaction would be (1) earning assets of the reserve bank will be reduced by \$100,000,000 through the liquidation of the member bank's discounts by the payment of gold, (2) earning assets will be decreased by a further \$100,000,000 through the sale of Government securities, and (3) earning assets will be increased by \$100,000,000 through the subsequent borrowing of \$100,000,000 by the member bank. The final result would be that earning assets of the reserve bank would have declined by \$100,000,000 and \$100,000,000 of investments would be converted into discounts, while \$100,000,000 of gold would be added to reserves. The reserve ratio would be higher.

This method of disposing of new gold can continue until the reserve bank's investments are all converted into discounts, and total earning assets are reduced by the amount of new gold deposited. After that the result of further gold deposits would still be approximately the same, but the two later steps would be eliminated, i.e., the member bank would pay off its discounts with the new gold and there the matter would rest. Thus the earning assets of the reserve bank would be gradually reduced to nothing. If the course of action of the reserve bank were to be as just outlined, then \$1,200,000,000 of additional gold would wipe out all the earning assets of the reserve bank.

Disregarding for the moment the effects on the ability of Federal reserve banks to pay expenses, although there is no doubt that this would be an important practical consideration and that some method of handling it would have to be devised, let us continue our story. We have arrived at the point where the reserve bank has nothing but gold against which it has deposit and note liabilities. What would happen if still more gold arrived? The member bank would have no important

object to serve in depositing it with the reserve bank but for convenience it probably would deposit it. But the member bank would have no way of using the gold within the reserve bank, its reserves would, therefore, be excessive and it would seek a market for its funds. The member bank would then encourage borrowing at home by reducing its interest rates, or by granting loans to marginal enterprises and would encourage the flotation of domestic and foreign securities. This would increase the member bank's deposits and its reserve requirements. It would also increase the need for currency. So that the excess reserves would be used up in part by withdrawals of notes and in part by increased reserve requirements. There would, in short, be an abundance of money, which would result in inflationary tendencies at home, or in the financing of foreign industry or other foreign enterprises, possibly including military enterprises.

It will make little difference in effect whether the gold will come in payment of past loans, for current merchandise, or for the purpose of building up a balance to pay for future exports, or in payment of interest or principal due to the United States Government. In any case the gold would reduce the demand for funds on the part of the public, or increase the supply of funds at the disposal of the member bank. This may require further explanation. If the gold comes in for the purpose of paying a loan at the member bank the member bank will cancel the loan, deposit the money with the reserve bank, thereby obtain an increased reserve deposit and will thus have more funds at its disposal. If the gold comes direct to a customer in payment for goods, he will deposit it with the member bank and the subsequent development will be the same as in the first case; and if the gold is deposited with the member bank for the purpose of building up a balance, the series of consequences will also be the same. If the gold comes for the credit



of the United States Treasury, the Treasury will either use the money to meet its current obligations, in which case it will deposit it with the Federal reserve bank and transfer it to its creditors who will redeposit it with the member bank, or it will use the money to reduce its outstanding obligations by buying Government securities in the market. In either case the Treasury will place additional funds at the disposal of the public and the member bank. Thus it makes no difference what immediate circumstances occasion the shipping of the gold, the effect of its arrival on our credit situation will be the same.

As will be remembered, the foregoing discussion purposely omits all reference to the effect that the arrival of additional gold might have on the country's productive activity. It would seem not unlikely that this additional gold would liquidate some frozen loans and relieve the financial condition of some manufacturers or producers who were heavily in debt to their banks on account of having bad debts abroad. With this burden taken off their minds they might turn their attention to the expansion of business and to this extent a revival of our own industry might take place. It would make no difference to the credit situation whether this revival would take the form of additional commercial credit requirements or of a demand for investment securities. In either case it would mean more business which would absorb the additional funds created by the arrival of the new gold.

In this discussion it has been assumed that there was one member bank controlling the entire banking power of the nation, and one reserve bank. In reality there are about 10,000 member banks controlling about 60 per cent of the nation's banking resources, 20,000 non-member banks, and twelve independently managed reserve banks. The fact that data for the reserve system alone do not give a

complete picture of credit conditions in the country is undeniable, yet general tendencies affecting the system will affect the entire structure. Most of the large banks are member banks and many of them are bankers' banks standing in much the same relation to their numerous correspondent country banks as the reserve bank stands to its member banks. Another connecting link is in the fact that Federal reserve notes are the only elastic currency, and that, therefore, a demand for additional currency, no matter where it originates, will be reflected in increased Federal reserve note circulation and will, therefore, affect <sup>the</sup> credit situation in the reserve system. It seems safe to say that when the forces affecting the reserve system are clearly understood, it will be found that the entire credit reservoir is affected by the same forces, and that credit conditions are, broadly speaking, the same without and within the reserve system. The attached chart showing the flow of reserve bank credit may help to make this clear.

But there are twelve reserve banks and conditions in the twelve districts may and do differ widely. Temporary tendencies which manifest themselves in one district may not exist in another, and influences affecting an industrial district may not appear in an agricultural section. This is reflected in the differences between condition statements of the twelve reserve banks. For example, while discounts declined between February 1 and October 4 in all the reserve banks, the rate of decline varied from 39 per cent in Boston to 65 per cent in Cleveland, and while total earning assets decreased in most of the districts, increases are reported for the New York, Cleveland, St. Louis and San Francisco districts. On the other hand, Federal reserve note circulation shows expansion in nine of the twelve districts, but the New York, Richmond and St. Louis districts show reduced



circulation figures.

Differences of this kind may suggest different credit policies in the several districts, but from the national point of view the system is nevertheless a unit. The reservoir of credit constructed by the Federal Reserve Act is such that, in the final analysis, the entire system responds to the same influences, and in outlining broad general tendencies one is justified in treating the twelve reserve banks as one. In fact, it is only by considering the combined resources and liabilities of the twelve banks that one can obtain a correct picture of the national situation, as the relations between the twelve reserve banks are constantly shifting.

It may be asked: what would happen if the reserve bank paid out gold instead of reserve notes and thereby decreased its supply of gold and its reserve ratio? Under present circumstances this would have little effect on the credit situation. It makes no difference to a man whether the \$20 bill in his pocket is a reserve note or a gold certificate. The cash requirements of the nation would be no greater and no less than before. The only difference would be that the reserve ratio would be lower and declining, which might have some psychological effect on the public mind. Not unless the ratio went down to below 50, however, would the decline become a matter of real importance, and the ratio can not fall below 50 at the present time without expansion, as the substitution of gold for all the Federal reserve notes in circulation would still leave enough cash reserves to constitute 47 per cent of deposit liabilities.

To recapitulate; further gold imports will increase the amount of loanable funds, and, other things remaining equal, will reduce the demand for reserve bank credit on the part of the member bank. Up to the saturation point of the reserve

bank sponge gold imports can be absorbed and credit expansion delayed. Theoretically this point will be reached when additional gold in excess of one billion dollars is imported, which would wipe out substantially all of the reserve bank's earning assets. Beyond that point, unless business revival caused by other forces takes place, inflation at home or encouragement of investment of funds abroad is inevitable. And the saturation point will be reached sooner in proportion as the reserve banks will endeavor to keep up their earning assets by the purchase of securities to replace liquidated discounts.



185. Thompson  
797-1  
July 23, 1925.

Mr. E. A. Goldenweisser,  
Federal Reserve Board,  
Washington, D. C.

Dear Mr. Goldenweisser:

In accordance with our telephone conversation today, the following paragraphs are quoted from Governor Strong's recent letter asking for information, and we should greatly appreciate it if you could supply us with the data requested:

"(1) A reasonably accurate figure of the payments which have been made to our Government by foreign Governments on account of war debts, payments for war materials sold, relief loans, and various adjustments growing out of the war.

"The Treasury statement shows a figure which I believe will enable this information to be gathered very easily.

"(2) The amount of payments now under contract or impending, which would include, of course, the payments by the British and other nations which have funded, and, in general, all of those payments enumerated above, plus payments arising out of the Paris adjustment of distribution under the Dawes Plan."

From previous experience with the Governor it would be my impression that he would like a fairly detailed statement showing payments by countries, with dates, together with a summary. I presume that for some of this information you will have to go to the Treasury, but I am writing you with the idea that the correct procedure is for us to get this sort of thing through you.

Thank you much for your help.

Very truly yours,

WRB

W. RANDOLPH BURGESS  
Assistant Federal Reserve Agent

Walter W. Stewart

Director - Division of  
Research & Statistics  
- 192 -

Federal Reserve Bank

1925-1928

[See Bank of England]



May 8, 1925

Dear Dr. Stewart:

Mr. Strong, being rather pressed for time, has asked me to forward to you the attached copy of a letter which came to him today, together with the enclosure addressed to you. I believe you will find the letter self-explanatory.

Very truly yours,

Secretary to  
Mr. Benj. Strong

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

Encs.

**FEDERAL RESERVE BOARD**

**(WASHINGTON)**

ADDRESS OFFICIAL CORRESPONDENCE TO  
THE FEDERAL RESERVE BOARD

June 24, 1925.

WWS:OEW

Dear Governor Strong:

All of the preparations for the trip are now about completed and in thought and interest I am facing toward Europe. The ticket has been received, the passport and visas fixed up, and the data which you suggested have been collected. Today and tomorrow will be used in clearing my desk so that I will not have to think about it for the next two months.

I regret that I was not able to attend the meeting of the Open Market Committee, not primarily because of the importance of the meeting itself, but because I would like to have heard your presentation to the Committee of the present situation of the money market and because I would like to have been in on the discussion concerning the proposed change in the bank statement. This latter matter, however, I am sure can be worked out satisfactorily with Mr. Smead.

I plan to leave here Friday noon and on arriving in New York will go directly to the boat. I appreciate very much your thoughtfulness in making preparations for the trip at a time when I realize you are very busy.

Sincerely yours,

*Walter W. Stewart*

Mr. Benjamin Strong, Governor,  
Federal Reserve Bank of New York,  
New York, N. Y.





EXTRACT FROM LETTER OF DR. STEWART TO GOVERNOR STRONG

LONDON, JULY 27, 1925.

"In general my feeling is that we are dealing with something more fundamental than the relation between the two bank rates. That relation may become purely formal if in either market the rate becomes ineffective. Inflow of gold, rather than the generally anticipated outflow, is making the market less dependent upon the bank, and if in combination with this there is a decreased demand for funds resulting from a coal strike and trade uncertainties, rates may become still easier. An increase in the discount rate at New York could work only indirectly and to a minor extent upon the market here under the present conditions. At bottom I believe the forces at work in the market are the export of \$175,000,000 of gold from New York since last December and the import of gold here. Neither of the movements were particularly related to exchange rates, but both of them affected interest rates and the relation of the markets to the Banks. As I suggested in the telegram, I believe a more direct and effective way of dealing with the situation from our end would be an advance in our buying rate on bills, which I regard as also now desirable on other grounds."

If at the end of three weeks, as indicated in the telegram to Governor Norman, it seems desirable to reduce the rate here with some prospect of holding that level through the autumn some adjustment would have been made both in New York and London looking toward a narrower differential.

As to the stock market, I feel as I did in Berlin. You know much better than I - but does not a market where pools are active, carry with it its own correctives?"



*Confidential*

*Recd 7/29/25  
Brussels*

Telegram sent in code to -  
MR. STRONG, C/O GOVERNOR, NATIONAL BANK OF BELGIUM, BRUSSELS.  
Despatched: 27th July, 1925.

1. Your letter indicates belief that present exchange position could be maintained with narrower differential between Bank Rates.
2. I agree, but believe London Rate, because of gold receipts, is at the moment unnecessarily high rather than New York rate too low.
3. Early crop movement and seasonal requirements for currency will make money firmer in New York without rate action.
4. Also prospective growth of commercial demand, if realised, will absorb some funds now in call market and have more effect than increase in discount rate.
5. Believe rate advance aimed at stock market would chiefly influence bond market and further foreign flotations.
6. Believe rate increase in New York should await clearer indication of advance in commercial paper rates.
7. Desirable that increased use of reserve banks this autumn should largely take form of discounts rather than acceptances.
8. Suggest, if action is required, an advance in bill rates to level of discount rate.
9. Will join you in Paris after your return from Biarritz.

STEWART.

Confidential

RECEIVED  
SEP 23 1935  
FEDERAL RESERVE BANK  
ST. LOUIS, MO.

Despatched: 22nd July, 1935.  
MR. STRONG, C/O OVERSEAS NATIONAL BANK OF BELGIUM, BRUSSELS.  
Telegram sent in the afternoon.

1. Your letter indicates belief that present exchange position could be maintained with narrower differential between Bank Rates.
2. I agree, but believe London Rate, because of gold receipts, is at the moment unnecessarily high rather than New York rate too low.
3. Early crop movement and seasonal requirements for currency will make money firmer in New York without rate action.
4. Also prospective growth of commercial demand, if realized, will absorb some funds now in call market and have more effect than increase in discount rate.
5. Believe rate advance aimed at stock market would chiefly influence bond market and further foreign flotations.
6. Believe rate increase in New York should await clearer indication of advance in commercial paper rates.
7. Desirable that increased use of reserve banks this autumn should largely take form of discounts rather than acceptances.
8. Suggest, if action is required, an advance in bill rates to level of discount rate.
9. Will join you in Paris after your return from Biarritz.

STEWART.



HARRISON

December 29, 1932.

Dear Mr. Chairman:

I received your letter of December 23rd, in which you ask my opinion as to S. 4103, the latest edition of the Bill, introduced by Senator Lenroot in the Senate and by Congressman Anderson in the House of Representatives, to provide additional "credit facilities for the agricultural and live stock industries of the United States." This Bill would set up "Farm Credits Departments" in the existing Federal Land Banks, into each of which it is proposed that the U. S. Government should pay a capital of \$5,000,000, or \$60,000,000 for the twelve banks taken together. I understand from your letter that this amount might be increased to \$10,000,000 for each Federal Land Bank, or \$120,000,000 in the aggregate. With this initial working capital, the Bill proposes that these Farm Credits Departments would act as redieccunt agencies for agricultural paper from banks, credit associations, livestock loan companies, and similar institutions, and that the Federal Land Banks would obtain such additional funds as may be needed for the purpose by issuing tax-exempt collateral trust bonds for sale in the investment markets, and indirectly by rediscounts with the Federal Reserve Banks. The operations of the Farm Credits Departments would be placed under the supervision of the Federal Farm Loan Board.

The Bill contains many good features, not the least of which is the provision for aggregating agricultural and livestock paper in such shape as to give an acceptable basis for credit, but it depends



so much upon the large initial contribution from the Treasury and the grant of full tax exemption to the new securities, both of which seem to me objectionable, that I have taken occasion to survey the whole field of the present discussion in order to see what might be done to harmonize the various plans which have been presented and combine their best features in one sound and workable measure. Needless to say, I am entirely in sympathy with the efforts which are being made to provide better credit facilities for the agricultural and livestock industries, and believe that one of the first conditions of sound recovery in the country as a whole is the restoration of the purchasing power of the farmer, the impairment of which had so much to do with the depression in business from which we are emerging. There has already been a considerable recovery, with substantial advances in most staple agricultural products, but prices are still somewhat out of gear and there must be further readjustments and better facilities for distribution and marketing before the farmer's position can be fully restored. The trouble lies partly in the derangement of markets and dislocation of prices, and recovery depends on many factors, of which credit is only one. At the same time, however, there is need for improved credit facilities, and particularly for a better organization of credits that will make available the necessary capital and credit for the use of the agricultural and livestock industries. I should say that this could best be accomplished through the adoption of some such measure as the Capper Bill (S. 4063), with its provisions for in-

Increased rediscount facilities at the Federal Reserve Banks and for the organizations of rural credit corporations and rediscount corporations on a business-like basis, coupled with provision for a further extension of the life of the War Finance Corporation for a limited period, say until March 31, 1934, in order to take care of any emergency conditions which may remain and also give opportunity for the establishment of the new agencies on a practical working basis. A measure of this character could be drafted without much difficulty along the lines of the Capper Bill, and it would, I believe, provide a practicable and comprehensive plan of agricultural credits, embodying the best features of the Anderson-Lenroot Bill and at the same time avoiding the objections that may properly be raised against that Bill in its present form.

The objectionable features of the Anderson-Lenroot Bill as it now stands may be summarized, I should say, under three heads. In the first place, it would place the Government to a large extent in the commercial banking business, for it contemplates what amounts to a system of government banks, capitalized with public funds and supervised by government officials. As at present organized the Federal Land Banks are conducting solely a farm mortgage business. To enable these land banks to undertake the business of rediscounting agricultural paper for country banks, loan companies, and credit associations, new officers and new personnel would have to be supplied. Since the Government would contribute the capital, it would also have to supply the management. This involves serious difficulties. Government operation of necessity means centralization and standardization. It requires rigid rules and policies, all



adapted to a country as large and as varied in its economic structure as the United States. The Federal Land Banks now can operate upon uniform rules, in so far as their present farm mortgage business is concerned, for the farm mortgage business lends itself to standardization. The handling of current farm credits, however, requires promptness, flexibility, and adaptation to local needs, and these essentials Government banking could not, in my opinion, supply, -- certainly not without grave administrative difficulties.

The second objection is that the Bill would make heavy drafts upon the Treasury for the capital of the Farm Credits Departments, and that would mean either more Government borrowing or higher taxes on all the people in order to supply the funds. Either would be unfortunate, for the Government's borrowings are already heavy enough, and existing taxes are too high for the good of agriculture, business and industry. The Government's contribution, moreover, would be inefficient to handle more than a fraction of the agricultural rediscounts of the country, and the Bill accordingly contemplates the sale of collateral trust bonds to secure any necessary additional funds. These securities would be entitled, under the terms of the Bill, to full exemptions from all Federal, State and local taxation, and from this arises the third serious objection to the Bill. Tax exempt securities afford perhaps the most outstanding avenue of escape from the income surtaxes imposed by Congress, and their continued issuance is prejudicing the revenues and at the same time having a most unwholesome effect on the development of business and industry. An amendment to the Constitution of the United States restricting further

issues of tax-exempt securities is already pending in Congress, and I repeat here the hope expressed in my Annual Report that this amendment will have early consideration and soon be submitted to the States for their approval. Public opinion is crystallizing more and more against tax exemptions, which are defeating our system of taxation and threatening the public revenues, and it would come with particularly bad grace, it seems to me, for the Federal Government to authorize the creation of a large volume of new tax-exempt securities at the very time of proposing to the States a Constitutional amendment directed against such issues in the future.

I may say in this connection that I have been following with much interest the reports of the hearings before your Committee, and am impressed with the wide diversity of opinion among the witnesses upon the Anderson-Lenroot Bill in its present form. The representatives of the American National Live Stock Association testified that the livestock industry did not want Government funds or tax-exemption privileges, and that the Bill would not meet the needs of the industry. The representative of a large number of the corporative marketing associations in the United States, while recommending enactment of part of the Bill, merely to provide a reserve agency in case of need, stated that the associations which he represented believed that their main financial resource should and would be the Federal Reserve System. The representative of the Farm Loan Board, while not opposing the Bill, stated in effect that the Farm Loan Board was not equipped to administer it, and suggested that it be transferred to the Federal Reserve



card. The representative of the Federal Reserve Board recommended that it be placed under the Farm Loan Board. The representative of one of the national farm organizations asked that neither of these Boards have charge of its administration, but that a new and independent board be created for the purpose.

In view of this diversity of opinion, and of the substantial objections to the Bill already pointed out, and I believe that the most helpful course that can be pursued now is to adopt a substitute measure along the lines of the Capper Bill, with the suggested extension of the life of the War Finance Corporation until March 31, 1924. This would adapt our present banking system to the needs of agriculture, and include the best features of the various plans, upon which there is virtual agreement. It would admit to discount at the Federal Reserve Banks agricultural paper with a maturity up to nine months, secured by commodities in process of orderly marketing or by livestock which is being fattened for market. To this there can be no substantial objection. It is safe, and the testimony before your Committee shows that it will be helpful. Nor is there any disagreement as to the wisdom of Federal incorporation and supervision of livestock and agricultural loan companies, which is also a feature of the Anderson-Lenroot Bill. Representatives of the great cattle breeding industry have testified, moreover, that such a provision is essential to the proper conduct of their business. These proposals embodied in the Bill introduced by Senator Capper, have met with general support and are in my opinion sound and constructive, and I hope that this Bill, with such changes of detail as may seem

necessary, will commend itself to the favorable consideration of your Committee.

I am convinced that in the long run our present banking system, modified and liberalized on these lines, will serve the needs of agriculture far better than any rival system built upon Government capital and under Government control. A rural credits program like that, embodied in substance in the Capper Bill, would draw capital and credit from available sources for use where needed by the agricultural and livestock industries, and would accomplish this on a business basis, without depending on Government money or tax exemptions. At the same time it would enlarge the facilities of the Federal Reserve System, to provide further for agricultural discounts, and I hope so as to encourage larger membership among eligible banks in the agricultural districts, and would extend up to \$25,000 the limit on loans by Federal Land Banks. Altogether, it presents a comprehensive plan of permanent relief on practical lines. To meet any emergency situation that may remain and bridge the gap until the new facilities can be organized, it is by far the best course, in my judgment, to make use of the War Finance Corporation, which is a temporary organization and will expire with the emergency. This Corporation is already in existence, and it has sufficient funds at its command, with a trained personnel able to make those funds effective to the extent that they are needed. Its operations have been conducted, it is generally agreed, to the satisfaction of the agricultural interests, and its extension for a limited



period, coupled with the enactment of the Capper Bill, would give to the farmer full assurance that credit will be available for his needs on a sound basis during the period required for the practical working out of the enlarged facilities of the Federal Reserve System and for the organization of the more permanent credit agencies provided by the Capper Bill.

Cordially yours,

(Signed) A. W. Mellon

Secretary of the Treasury.

Hon. George P. McLean,  
Chairman, Committee on Banking and Currency,  
United States Senate,  
Washington, D. C.

FILES DIV  
FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 3, 1923. 192

TO Governor Strong  
FROM George L. Harrison  
FEDERAL RESERVE BANK  
OF NEW YORK  
SUBJECT:

12/29/22  
610

You have, of course, seen Secretary Mellon's letter to the Chairman of the Senate Committee on Banking and Currency concerning the proposed agricultural credit legislation. It opposes the so-called Anderson-Lenroot bill upon two main grounds, first that it provides for a very substantial contribution by the Treasury Department (amounting to \$60,000,000, as compared with \$12,000,000 proposed in the original Anderson-Lenroot bill) and, second that it makes tax-exempt those securities that will be issued by the Farm Credit Departments of the Federal Land Banks. Each of those objections is, of course, valid, and it is probable that they form the basis of the change in Mr. Mellon's opinion concerning this bill. As you may remember, in a letter addressed to the Banking and Currency Committee at the last session of Congress he favored the bill as it was originally introduced.

He further opposes the Anderson-Lenroot bill on the ground that the Farm Land banks are now organized solely to do a farm mortgage business and that to undertake the additional powers conferred by the Anderson-Lenroot bill would necessitate new officers and new personnel. That, of course, is an objection that was applicable to the bill as originally introduced and seems to me to be an objection that is equally applicable to any other plan that provides for an entirely new class of organization, such as the Capper bill does.

The interesting point of Mr. Mellon's letter, however, is that he suggests affirmatively that the Committee favorably consider Senator Capper's bill, with such changes of detail as may be necessary. What are the main provisions of that bill?

It provides for Federal incorporation of two classes of corporations,



FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 3, 1923. 192

TO Governor Strong

SUBJECT: \_\_\_\_\_

FROM George L. Harrison

-2-

(1) Agricultural Credit Corporations and (2) Rediscount Corporations

Agricultural Credit Corporations

Agricultural Credit Corporations may be organized with a minimum capital of \$250,000 and may have branches anywhere within the same State as the parent corporation. The powers granted the corporations are

1. To make advances upon, to discount, rediscount, or purchase notes, drafts or bill of exchange which are issued or drawn for an agricultural purpose, or the proceeds of which have been used for such a purpose, which have a maturity at the time of discount not exceeding 9 months and which are secured at the time of discount by warehouse receipts or other like documents conveying or securing title to non-perishable and readily marketable agricultural products, or by chattel mortgages or by other like instruments conferring a first and paramount lien on livestock which is being fattened for marketing.
2. To accept any bill of exchange of the kind which it is authorized above to discount.
3. To make advances on, or discount, rediscount, or purchase and sell notes secured by chattel mortgages conferring a first lien upon maturing and breeding livestock provided that it has a maturity at the time of discount, rediscount, ~~rediscount~~ or purchase not exceeding three years.
4. To buy stock in Rediscount Corporations not exceeding 20% of its own capital and surplus.
5. To issue its own or collateral trust notes for periods not exceeding three years and to pledge its bills, notes, drafts or other securities as collateral therefor.

FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 3, 1923 192

To Governor Strong

SUBJECT:

FROM George L. Harrison

-3-

6. To exercise certain other specified and incidental powers not necessary to mention here.

Rediscount Corporations

These corporations may be organized with a minimum capital of \$1,000,000 and shall have all the powers that are conferred upon Agricultural Credit Corporations, except that instead of being authorized to make advances upon or to discount paper of the kind which Agricultural Credit Corporations may discount they shall have power to rediscount such paper upon the indorsement of any Agricultural Credit Corporation. In other words, as their name implies, Rediscount Corporations have no authority to make direct loans to Agricultural interests but may only rediscount the paper held by Agricultural Credit Corporations or other Rediscount Corporations. They do have, however, the same authority to issue collateral trust notes that Agricultural Credit Corporations have.

Miscellaneous Provisions of the Bill

The Comptroller of the Currency has general supervision over all of the operations of both classes of corporations provided for in the Act.

National Banks are authorized under the terms of Section 12 to invest not more than 10% of their own capital stock in the stock of Agricultural Credit Corporations or of Rediscount Corporations, provided the Comptroller of the Currency approves.

Section 14 authorizes the Federal Reserve Banks to act as "Fiscal Agents in the general performance of the powers conferred by this Act" and are expressly authorized to receive deposits both from Agricultural Credit Corporations and Rediscount Corporations.



FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 3, 1923. 192

To Governor Strong

SUBJECT: \_\_\_\_\_

FROM George L. Harrison

-4-

Amendments to the Federal Reserve Act.

Title II of the Act makes certain amendments to the Federal Reserve Act -

1. It specifically authorizes the Federal Reserve Banks to buy 6 months acceptances when secured by warehouse receipts covering readily marketable staples. (The recent ruling of the Federal Reserve Board in substance accomplishes this same purpose.)

2. It adds a sub-section to Section 13 of the Reserve Act which authorizes Federal Reserve Banks to rediscount agricultural paper with a maturity up to 9 months, provided

(a) it is secured by warehouse receipts covering readily marketable non-perishable agricultural products, or

(b) it is secured by chattel mortgages upon livestock being fattened for market. (Such paper based upon a chattel mortgage on breeding herds is specifically made ineligible.)

3. The paper of cooperative marketing associations is made eligible, even though the money borrowed by such associations is used to lend to their individual members.

4. Section 14 of the Federal Reserve Act is amended so as to authorize Federal Reserve Banks to purchase and sell acceptances of Agricultural Credit Corporations of the kind previously defined. *? Endorsed?*

5. Section 9 of the Federal Reserve Act is amended so as to permit the smaller ineligible State Banks to become members provided they enter suitable agreements to increase their stock within three years to the amounts required of national banks.

FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 3, 1923 192

To Governor Strong

SUBJECT: \_\_\_\_\_

FROM George L. Harrison

-5-

Comments

For the life of me I cannot see how this bill will accomplish any great purpose other than in its amendments to the Federal Reserve Act authorizing the rediscount of 9 months paper in certain cases and in authorizing the admission of the smaller State banks into the Federal Reserve System. The so-called Agricultural Credit Corporations are given no powers greater than those now possessed by member banks, except that they may accept for 9 months, instead of 6 months, and except that they may issue their own collateral trust notes secured by their assets. It is doubtful in my mind whether the power to issue these collateral trust notes will in fact provide any great amount of additional credit for the agricultural sections. Certainly all of the objections that were raised against the saleability of the debentures of Farm Land Banks even with their tax exempt feature are applicable to the collateral trust notes of the Agricultural Credit Corporations. In fact, if there is any substantial question of the marketability of the former, there can be little doubt that there will not be any great market for the collateral trust notes of individual Agricultural Credit Corporations of such small capital as \$250,000. If that is true, the bill will not provide any helpful amount of additional credit to the agricultural sections. The so-called Rediscount Corporations will be no more effective in this regard, unless, perchance, the required capital of \$1,000,000 will make their trust notes a little more saleable than the notes of the smaller Agricultural Credit Corporations.

You will also notice that while the Federal Reserve Banks are authorized to rediscount agricultural paper with maturity up to 9 months, that authority tightly enough relates solely to their own member banks, and neither the Agricultural Credit Corporations nor the Rediscount Corporations provided for in the Capper bill can go



FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 3, 1923 192

To Governor Strong

SUBJECT: \_\_\_\_\_

FROM George L. Harrison

-6-

directly to the Federal Reserve Bank for assistance as was provided in a limited way for the Farm Land Banks in the Anderson-Lenroot bill. The only exception to this statement is that the Federal Reserve Banks are authorized by the Capper bill to purchase the acceptances of Agricultural Credit Corporations, and I presume that that authority would permit of the purchase directly from the Credit Corporations themselves.

The picture, therefore, presents itself in this fashion: The Anderson-Lenroot bill contemplates providing additional credit to the agricultural sections in two ways, first by an appeal to the investment market through the debentures of the Farm Credit Departments of the Federal Land Banks; (whether or not these debentures are made tax-exempt, they would seem to have a much better chance of finding a market than the collateral trust notes of either of the classes of corporations provided for in the Capper bill) and, second by permission to rediscount directly with Federal Reserve Banks paper that comes within the 9 months of maturity. These two powers might well provide a reasonable amount of additional agricultural credit in a time of stress such as that through which we went in 1920. But there is some question whether the powers granted by the Capper bill are sufficient to provide that additional credit when it may be needed, first because there is some question as to the marketability of the collateral trust notes, and second because there is no authority, and there should be no authority, for these corporations to go directly to the Federal Reserve Banks for rediscounts. I hesitate even to mention this latter point for it would be most unfortunate if the Capper bill should extend to Agricultural Credit Corporations, - individual private banks, - the rediscount facilities which are now given only to member banks and which the Anderson-Lenroot bill proposes to extend only in a limited fashion to the Federal Land Banks, - twelve

FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 3, 1923. 1923

To Governor Strong

SUBJECT: \_\_\_\_\_

FROM George L. Harrison -7- \_\_\_\_\_

institutions of substantial capital operated under the supervision of the Federal Farm Loan Board. In other words, it would be much simpler properly to control the rediscount facilities granted to the Federal Farm Land Banks than it would be if those facilities were extended to any number of smaller nonmember banks such as those authorized in the Capper bill.

Either the agricultural interests need or do not need additional credit. If they do need more than can be given through an extension of the maturity of agricultural paper eligible for rediscount by the Federal Reserve Banks, the Capper bill does not seem to answer the purpose as well as the Anderson-Lenroot bill. If they do not need such additional credit, it may well be argued, as has been argued before the Senate Banking and Currency Committee, that there is no need to provide for any new class of corporations or even to extend the powers of the Federal Land Banks, it being felt by some that an extension of the maturity of eligible agricultural paper from 6 months to 9 months is enough.

GLH.MSB





OFFICE CORRESPONDENCE

DATE: JANUARY 2, 1935

TO: Governor

FROM: George L. Harrison

RE: Agricultural Land Bank

institutions of substantial capital created under the supervision of the Federal Farm Loan Board. In other words, it would be much simpler reasonably to create the redemptive facilities granted to the Federal Farm Land Bank than it would be to create facilities not extended to any other of smaller member banks such as those authorized in the Capital Bill.

50000,000  
Whether the agricultural land bank need or do not need capital is a question of fact. If they do need more than can be given through an expansion of the authority of agricultural paper eligible for redemption by the Federal Reserve Banks, the Capital Bill does not seem to answer the question as well as the Anderson-Landmark Bill. It may be not need such additional funds, it may well be argued, as has been argued before the Senate Banking and Currency Committee, that there is no need to provide for any new class of securities or even to extend the powers of the Federal Land Bank, if being left by some fact to the extent of the authority of all the agricultural paper from 6 months to 2 years is necessary.

G.L.H.

213.1  
(A)



FILING DEPT. 182

FEDERAL RESERVE BOARD

WASHINGTON  
FEDERAL RESERVE BANK

RECEIVED

APR 10 1915

April 2nd, 1915. FEDERAL RESERVE BANK OF NEW YORK

*Unofficial*

*My dear Kinsman*

I have your letter of the 31st ultimo from Hot Springs, Va., and while I do not want to bother you with business, I do want to acknowledge this letter.

I think I realize your sympathy for the country banker and I think I also understand and respect your general views on this general clearance question, so I shall not go into it. It is the feeling of the Board, I believe, that we had authorized the Governors to go ahead and work out a scheme in their own way and that it was better that we should not in any way approve it. If it had come to approving the scheme, the circulars, etc. in detail, it would have meant the same slow process of winnowing out each word and phrase which makes many of our deliberations so long and tedious. I want the plan you are working out to be a great success and a tribute to the ability of your Committee.

Quite a number of country bankers have been here, complaining about the loss of exchange and a number of them have said that if the Reserve Banks would allow them interest on reserve deposits, that would go a long way towards smoothing the rough places. I do not believe it would ever do to pay interest on minimum legal reserves, but I do think there is a good deal to be said in favor of paying two per cent interest on balances in excess of minimum reserves and on <sup>or optional</sup> special reserves. I prepared a brief on this subject which has gone only to members of our Board, but which I do not mind having you see. My own view about paying interest on deposits of country banks is that it is a vicious thing and ought to be broken up, and I think there is a better chance of breaking it up if you allow reserve banks to meet the competition than if you tie the reserve banks' hands.

I have been doing some work on a regulation for the purchase in the open market of domestic bills of exchange, accepted by a banker, manufacturer, or merchant in good standing, and am trying to hedge the thing with every possible safeguard, using forms which will be standardized by the Federal Reserve Banks and with a list of the attached documents shown on the back of the bill - such a form, for example, as I enclose herewith. Our friend, P. M. W., has

COPIED FOR  
FILE No. 172  
SUBJECT Res.

COPIED FOR  
FILE No. 185  
SUBJECT accep

RECEIVED

APR 10 1915 8 54 AM

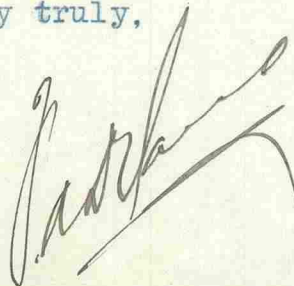
FEDERAL RESERVE BANK  
NEW YORK

about a thousand reasons why it is a vicious practice and I am sorry to say that I do not yet know enough about the business to stand up against him. One thing in favor of it, it seems to me, is that these bills would probably bring up as much as two per cent higher than foreign acceptances; that they would help to popularize the new banking system, to standardize our methods, etc.

In fact, I think the Governors can do a great deal by trying to standardize the forms of bills of exchange and commercial paper of all kinds, that little by little, through the examining force, you could get town and country banks to carry in their portfolios an increasing proportion of paper which is rediscountable. Mr. D. C. Wills, Federal Reserve Agent of the Cleveland Bank, sent me an interesting letter from a western Pennsylvania banker, who said he did not see how the system would do him any good, that he never expected to rediscount, that he carried, in addition to his cash reserve, quite a large investment in standard stocks, such as Pennsylvania, Reading and other things which were readily convertible into cash! There are hundreds of men of this kind, who need a lot of education, and it is going to be a slow process, but I am laying a great deal of stress on the fact that the Federal Reserve Bank, as the central reserve bank of its district, furnishes the first effective bond of interest which the National banks have ever had. The city banks have been able to get together in their clearing house associations; and country and city banks have had voluntary associations in club meetings, etc., where banking politics have played an important part; but never until now have the city and country banks been united in a joint stock company which ought, if properly managed, to prove an effective bond of sympathy. X

But excuse this long letter. I did not intend to say so much, or to bother you to such an extent. If you will stop over in Washington, I will give you a real horseback ride.

Yours very truly,



Mr. Benj. Strong, Jr.,  
C/o The Homestead,  
Hot Springs, Va.