

a F. H. Curtiss

1921

FEDERAL RESERVE BANK  
OF BOSTON

*JH*

FREDERIC H. CURTISS  
CHAIRMAN

SEP 1 1921  
FEDERAL RESERVE BANK  
OF NEW YORK  
September 1, 1921.

My dear Governor Strong:

I want to assure you how greatly I appreciate the unusual courtesy extended by you and the other officers of the New York bank in inviting us to be your guests at the delightful dinner given by you to our European friends at the Metropolitan Club on Tuesday night. The opportunity to exchange views with those two gentlemen and especially with the chief, both at the dinner and yesterday morning, will be long remembered.

When the opportunity arises for carrying out any perfected plans which develop from the visit of these two gentlemen, you can count on the officers of the reserve bank of Boston using their influence and cooperation to their successful conclusion.

I also want to take this opportunity of expressing to you my congratulations on the splendid piece of work which you have done not only for the Federal Reserve System, but for the United States, in your excellent exposition of the purposes and administration of the policies of the Federal Reserve System before the Congressional Committee in Washington. We are looking forward with the greatest interest to the extended report

the conference and believe it will go down in the history of banking in this country as one of the most historic episodes.

Thanking you again for your kindness and courtesy, I am,

Sincerely yours,



Chairman.

FHC/B

Governor Benj. Strong,  
Federal Reserve Bank,  
New York, N.Y.

September 2, 1921.

Frederic H. Curtiss, Esq.,  
Federal Reserve Bank of Boston,  
Boston, Mass.

My dear Mr. Curtiss:

Thank you most cordially for your kind letter of yesterday.

It was a great privilege to have you and Governor Morse with us to meet those good friends of ours from London and I am sure we all profited by the evening. Thank you also most cordially for the kind things you write in regard to the congressional investigation. I am just now engaged in reading the gally proof and as soon as the printing is completed you will be supplied with a number of copies for such use as you care to make of them.

With kindest regards,

Very truly yours,

BENJ. STRONG,  
Governor.

BS/RH

copy on  
Curtiss  
File



b C A Morse

Boston

Governor, 1918-22

1919, 1922

PERSONAL AND CONFIDENTIAL

March 6, 1919.

My dear Governor Morss:

For some time I have been interested with some friends in a study of some of the problems of our national financial system and particularly to the possibilities of a reform movement which might result in the establishment of a scientific plan for a Federal budget. The need for this has been made apparent to me during the past two years and as a result of contact with the financial machinery in Washington. Some of my friends believe the time is now opportune for a general attempt to interest the people of the country in national financial reform.

The campaign for saving, thrift and sensible spending, incident to the flotation of Government loans has put many of our people in a receptive mood for further suggestions in these matters. The national debt must be reduced and can only be reduced if both individuals and the Government practise sensible spending. It is particularly true with the Government but cannot be made possible until scientific machinery is installed to accomplish it.

Students of this subject seem to be in general agreement that a scientific budget system is the only solution. To persuade our people that such a system should be installed, a nonpartisan organization should be built up and a wise and sane campaign of publicity inaugurated. It is a plan of that sort in which some of my friends are interested with a view to activity after the next loan is placed. In the meantime steps must be taken to prepare the publicity, and the personnel of the organization must be developed in advance.

It is, of course, out of the question to utilize the Liberty Loan organizations as such for an enterprise of this character. It does not, however, seem improper for me to ask you if in your experience with the Liberty Loan, War Savings, or other organizations in connection with the war, you have come in contact with individuals

March 6, 1919.

in your district who would be likely to be interested in this movement and who would be qualified for service in such an organization and who would do so as a matter of public duty. What is first needed is a representative in every State, competent to take charge of the movement and direct it in the State. He should have qualifications to enable him to become a leader of the State movement, some ability as an organizer, should be public spirited, able to grasp the subject and willing to study it, and should be regarded locally as without political prejudice or purpose, and have the confidence in general of the people of the State.

In addition to State directors, similar organizers must be appointed in the various counties and principal cities.

I shall be greatly indebted to you if you can let me have suggestions and names of men in your district for this work without, however, mentioning the matter to them. You may know them well enough to make definite recommendations not only because you came in contact with them in Liberty Loan matters, but other public spirited activities with which you are acquainted or connected.

This is a matter in which I have a strong personal interest and will be grateful for your assistance. At our meeting in Washington on the 20th I hope to have an opportunity to refer to this matter more specifically.

Sincerely yours,

Governor.

Charles A. Morss, Esq.,  
Governor, Federal Reserve Bank of Boston,  
Boston, Mass.

BS/DT



September 13, 1921.

Dear Governor Morss:

You will recall that about two years ago we had some correspondence in regard to the work of the National Budget Committee. In part, at least, passage of the budget legislation by the Congress was due to the work conducted by that committee. Now that the basis of the budget system has been adopted by Congress, our organization is endeavoring to crystallize public sentiment for the support of the program of government economy and thereby to insure permanent success for the new national budget system.

We are seeking to extend this work by selecting, so far as possible, bankers to accept active chairmanships in various of the more important cities, simply to carry on work which will be laid out for them by the national committee. The scope of the work is described in the enclosed memorandum.

Can you suggest representative men, preferably bankers, who might be willing to accept such appointments in the cities of Boston, Bridgeport, Cambridge, Fall River, Hartford, Lowell, New Bedford, New Haven, Providence, Springfield and Worcester. (I understand that Mr. George E. Hanigan, President of the Lowell Trust Company, has tentatively agreed to serve as chairman in Lowell.)

At the present time I shall only ask you to suggest names, but later on possibly you would be willing to communicate with them directly and further our object of having them accept these appointments.

If for any reason you think it unwise to make these suggestions, will you not write me quite frankly and, if you are willing to do so, give me your reasons.

With best regards, and thanking you very cordially, I am,

Yours very truly,

Charles A. Morss, Esq.,  
Governor, Federal Reserve Bank of Boston,  
Boston, Mass.



November 22, 1921.

Dear Governor Mores:

Referring to our discussion of the practice of certain of the reserve banks in the purchase of bills from dealers under resale agreements; this matter has been studied by our Mr. Kenzel, who has had conferences with the more important dealers with whom we regularly trade, and I am now writing to give you his conclusions and his suggestions as to how the matter should be dealt with.

Loans made by these dealers from the commercial banks are not in the form of repurchase agreements, but collateral loans, and the amount of bills pledged to secure the loan in each instance is approximately the present value of the bills pledged; that is to say, an amount of paper is handed to the lending bank which at its present worth will just cover the amount of the advance.

Our practice has been to deduct discount for 15 days from the face amount of the paper, thereby advancing to the dealers a larger amount than the present worth of the bills. The reason for this practice has been more convenience, and in order to promote the development of the lending market, than any other reason. We would feel willing at once to change our practice, and discount the paper for its full period, were it not that it will very greatly increase the clerical work in the bank, increase the expense of conducting the business, and cause delay in concluding transactions. We frequently have loans of from \$8 to \$10 millions, sometimes even more, in one day, and in such instance we may take in 500 or 600 pieces of paper. If our discount department were obliged to figure the discount on each piece until maturity, which as you know varies considerably, it would frequently be impossible to conclude the transaction until the following day. It would require a much larger force of clerks, a great deal more bookkeeping in



November 22, 1921.

recording the paper, and general inconvenience and expense. This inconvenience is further reflected in handling all substitutions of collateral which take place daily.

Mr. Kenzel suggests that we should continue the practice of discounting the paper for 15 days, or such number of days as relates to each transaction, figuring the discount upon the entire amount of paper at its face value rather than figuring it to its maturity, and that each dealer making such resale contract with us deliver to us, in the case of 90 day bills a margin of 2% of the amount of the advance, and a correspondingly greater or lesser margin, according to the maturity of the paper. This can be done roughly and without much work or inconvenience to anybody. It enables substitutions to be made and the amount of discount readjusted with the least amount of work. The business can be conducted more promptly and economically, and the bank will always have in its hands an amount of paper which will cover the amount of the contract, even though the dealer is unable to make good his repurchase agreement.

I am convinced that this is the desirable way to handle the business, and recommend that it be adopted just as soon as assents are received from each of the banks now handling such transactions. Will you not be good enough to write me upon receipt of this?

Yours very truly,

Benj. Strong,  
Governor.

Charles A. Morss, Esq.,  
Governor, Federal Reserve Bank of Boston,  
Boston, Mass.

BS:MM  
RS.

Budget

May 6, 1922.

Dear Mores:

My friend, Mr. John T. Pratt, who is head of our Budget Committee organization is very anxious to have Alfred Aiken represent the organization in Boston. Could you bring any influence to bear upon him which would induce him to accept the job? At any rate, won't you have a nice talk with him, and let me know the outcome.

Yours sincerely,

Charles A. Mores, Esq.,  
Governor, Federal Reserve Bank of Boston,  
Boston, Mass.

, BS.MM



FEDERAL RESERVE BANK  
OF BOSTON

May 8, 1922.

PERSONAL

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

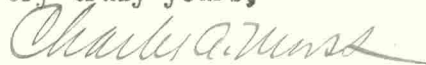
Dear Governor Strong:

I have your letter of May 6th saying that Mr. John T. Pratt will visit me within a few days to discuss the Budget Committee Organization of Boston and that you would like to have Alfred Aiken take charge of that organization if it were possible to induce him to do so.

I shall do my best with Mr. Aiken and shall surely give Mr. Pratt an interview, anticipating a very pleasant conversation with him if nothing more.

I wish to thank you for your courtesy to me especially last Friday and to say that I enjoyed meeting your guest of the afternoon very much indeed and shall look forward with a great deal of interest to the success of his mission to the United States.

Very truly yours,



Charles A. Morss,  
Governor.

R.

MAY 10 1922



FEDERAL RESERVE BANK  
OF BOSTON

MAY 8, 1922

FEDERAL

Mr. [Name] [Address]  
Federal Reserve Bank of Boston  
Boston, Mass.

Dear Governor [Name]:

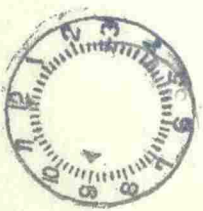
I have your letter of May 8th and am glad to hear that you will visit us within a few days to discuss the Federal Reserve Organization of Boston and that you will like to have Alfred [Name] in charge of that organization if it were possible to [Name] him to do so.

I shall be very glad to see you and shall anxiously give you a most interesting and profitable conversation with him if nothing more.

I wish to thank you for your courtesy some time ago and to say that I enjoyed seeing you most of the afternoon very much indeed and will look forward with a great deal of interest to the matter of his visit to the United States.

Very truly yours,

Walter P. [Name]  
Governor



MAY 9 1922

c W P A Harding

Aug 11, 1922 - 1927

Governor

Federal Reserve

Bank of Boston

an official statement  
of his selections for the  
Board -

With assurances of  
my appreciation of your  
friendship and support  
in the past, and with  
warm regards and best  
wishes, I am

Sincerely yours

Harvey

Amesbury  
10/17/22 B.C.

Metropolitan Club  
Washington, D.C.

Oct. 16, 1922.

Dear Gen. Strong,

A careful  
perusal of the President's  
letter which appeared in  
the press this morning  
must convince anyone  
that the local newspaper  
was not in all probabili-  
ty correct in their sur-  
mise that my return to  
the Federal Reserve Board  
is most unlikely -

I think it is time now

for me to consider my  
our future - I have no  
uneasiness from the stand-  
point of a mere ticket, but  
I really think it would  
be desirable from the Fed-  
eral Reserve System's point  
of view that I should have  
some position of moderate  
responsibility and dignity -  
in order that membership  
on the Board may not  
be entirely discredited, and  
in order furthermore that  
my influence may be  
felt to some extent in  
critical times that

I am sure are ahead  
of us - Will you be  
good enough to think  
this over, and let me  
know if there are any  
prospects for me in  
the East?

In Alabama, I could  
expect only a local influ-  
ence, which would  
avail nothing -

I should like very  
much to be able to an-  
nounce my arrival  
at the same time - a  
before - the President's war,



METROPOLITAN CLUB  
Washington, D.C.

Oct. 16, 1922

COPY OF HANDWRITTEN LETTER

Notation in pencil indicates Strong replied to it by hand on Oct. 17, 1922

Dear Gov. Strong:

A careful persual of the President's letter which appeared in the press this morning must convince anyone that the local newspaper men are in all probability correct in their surmise that my return to the Federal Reserve Board is most unlikely.

I think it is time now for me to consider my own future. I have no uneasiness from the standpoint of a meal ticket, but I really think it would be desirable from the Federal Reserve System's point of view that I should have the same position of moderate responsibility and dignity in order that membership on the Board may not be entirely discredited, and in order furthermore that my influence may be felt to some extent in the critical times that I am sure are ahead of us. Will you be good enough to think this over, and let me know if there are any prospects for me in the East?

In Alabama, I could exert only a local influence, which would avail nothing.

I should like very much to be able to announce my own plans at the same time—or before—the President makes an official statement of his selections for the Board.

With assurances of my appreciation of your friendship and support in the past, and with warm regards and best wishes, I am

Sincerely yours,

(Signed) W. P. G. HARDING

~~Private~~

Metropolitan Club  
Washington, D.C.

ACKNOWLEDGED  
OCT 19 1822

Oct 18, '22

Dear General Strong:

I am obliged  
to you for your letter  
of the 17<sup>th</sup> - Certainly I  
shall stand by my  
friends at any cost, as  
long as it appears that  
there is any chance of  
winning out on the  
principle for which



we are fighting -

I am now given to understand that the President's reference to "the mistaken program of drastic deflation" was a mere gesture for political effect in the West, and is not to be taken as an indication of his disposition toward me - I was much pleased with the Times editorial on the subject

I am glad to know that I shall have the pleasure of seeing you here next week and would like to have you come to my house in order that we may go over the whole situation - It is very interesting, and I am kept well informed of what is going on - except as to the reactions in the mind of Warren G. Harding

Sincerely yours  
Harding

Acknowledged: Oct. 19, 1922

METROPOLITAN CLUB  
Washington, D.C.

PRIVATE

October 18, 1922

COPIED FROM HANDWRITTEN LETTER

Dear Governor Strong:

I am obliged to you for your letter of the 17th. Certainly I shall stand by my friends at any cost, as long as it appears that there is any chance of winning out on the principle for which we are fighting.

I am now given to understand that the President's reference to "the mistaken program of drastic deflation" was a mere gesture for political effect in the West, and is not to be taken as an indication of his disposition toward me. I was much pleased with the Times editorial on the subject.

I am glad to know that I shall have the pleasure of seeing you here next week and would like to have you come to my house in order that we may go over the whole situation. It is very interesting, and I am kept well informed of what is going on, except as to the reactions in the mind of Warren G.

Sincerely yours,

(Signed)

W. P. G. HARDING

COPY

October 19, 1922.

Dear Harding:

Your note is just received. I am anxious to have a good talk with you about the future and will make my trip to Washington the latter part of next week the opportunity for doing so. I may be there only for one or possibly two days, and have been obliged to make some engagements which may not make it possible for me to have an evening with you as I would prefer, but I will stop in at the Club Thursday morning before going to the War College and I will know by then just what my engagements will be.

Meantime, I am very certain that that letter to Mr. Mondell should be interpreted as indicated in your note.

Thank you for writing me.

Yours sincerely,

Honorable W. P. G. Harding,  
c/o Metropolitan Club,  
Washington, D. C.

BS.MM



C O P Y

June 15, 1923.

W. P. G. Harding, Esq.,  
Governor, Federal Reserve Bank of Boston,  
Boston, Mass.

Dear Governor Harding:

I have your letter of June 14 in reply to mine of the 6th and 12th regarding your participation in the accounts of the Bank of Japan and the Bankovni Urad Ministerstva Financi, and note that it is the sense of your board that there is no occasion in the present circumstances for your further participation in our transactions with foreign banks. As you point out, your participation in our foreign accounts is entirely voluntary; and we have never had the remotest desire to force upon any of the Federal reserve banks a participation which they did not wish. Our sole reason for offering participations has been to follow out a general policy outlined by the governors several years ago to have the Federal reserve banks act as a single unit in their foreign relations so far as practicable. As I have in the past written both Governor Morss and yourself quite fully on this subject, I am sure that you and your directors are aware of our views and that it is unnecessary for me to say anything further at this time.

In view of the fact that your bank desires to withdraw from your participation in our foreign bank arrangements, I believe it would be more satisfactory to terminate your entire participation at one time, rather than continue it as to transactions in process, and we will be glad to take over your participations to-day for our own account. We have accordingly arranged with your office to credit us to-day \$103,241.06, being your share of the free balances, and also to wipe out your contingent liability on bills purchased for foreign correspondents amounting to

\$2,195,894.90. We have simultaneously charged your account for the free balance and increased our contingent liability in the appropriate amount.

As to your share of the commissions earned on the foreign accounts in which you have participated since January 1, we will calculate the amount due you and transfer it to your bank in a day or two with appropriate advice.

Very truly yours,

J. H. CASE,  
Deputy Governor.

JEC/CEP

C O P Y

FEDERAL RESERVE BANK  
OF BOSTON

June 14, 1923.

Mr. J. H. Case, Deputy Governor,  
Federal Reserve Bank of New York,  
New York.

Dear Mr. Case:

Your letters of June 6 regarding the participation of this bank in your account with the Bank of Japan, and of June 12 relating to the account you have opened for the provisional bank of issue in Czechoslovakia, were duly considered by the board of directors of this bank at the regular session held this morning.

It is the sense of our board that there is no occasion in the present circumstances for further participation by this bank in your transactions with foreign banks. There is nothing in the Federal Reserve Act which requires such participation, although it is provided that with the consent and approval of the Federal Reserve Board, any Federal Reserve Bank may carry on or conduct through the Federal Reserve Bank opening an account with a foreign bank, any transactions authorized by Section 14 of the Federal Reserve Act.

The records of this bank show that its participation in transactions of the Federal Reserve Bank of New York for the account of foreign banks began on June 16, 1920 with the purchase of bills for account of the Bank of Japan, in which this bank's contingent liability was \$1,168,000 and its share of the free balance was \$292,000. There was no change in these figures during the remainder of the year 1920 but during the years 1921 and 1922, your operations were extended to include other foreign banks, and the transactions embraced the ear-marking of gold and the purchase of Treasury certificates as well as bills. This bank's ratio of participation was 7.3% of the total amount from June 16, 1920 to December 31, 1922, but since January 1 of this year, it has been 7.5%. The following summary shows this bank's annual averages of the free balance deposits, contingent liabilities, and total commissions paid:

	<u>Average</u> <u>Free Balance</u>	<u>Average</u> <u>Cont. Liab'ty</u>	<u>Income</u>
1920	\$292,000	\$1,168,000	0
1921	529,589	2,330,721	\$3,742.40 (inc. 1920)
1922	326,038	2,314,406	3,755.74
1923	92,215	2,343,496	<hr/>

Income to date - - - \$7,498.14



June 14, 1923.

It is conceded, of course, that the possibility of any substantial loss in these transactions is very remote, but it seems that the income accruing to this bank as a result of its participations is small and not in proportion to the amounts involved. A participation in a purchase or loan returns a proportionate share of the discount or interest paid, but our participations in your foreign accounts, while carrying all the risk involved in a purchase, give us only a share in a small commission.

The directors of this bank feel, that looking at the matter purely from the standpoint of income, it is not good business to permit it to have these contingent liabilities. Their approval of these participations in the past has been actuated by a desire to cooperate with the other Federal Reserve Banks in transactions which were represented as being in the public interest, and which in the circumstances then existing seemed likely to involve contingent liabilities which had better be distributed among all Federal Reserve Banks rather than assumed by one bank alone. There do not at the present time, however, appear to be any considerations of a public character requiring this bank to continue to participate in accounts opened by the Federal Reserve Bank of New York in its own name and upon its own initiative with various foreign banks. The conduct of these accounts is necessarily under the sole management and control of the officers of the Federal Reserve Bank of New York. Your institution is the sole beneficiary of any collateral advantages which may accrue from these banking connections abroad and bears the overhead expense of transacting the business. There is at present no strain upon the Federal Reserve System and the directors of this bank see no reason until conditions change why it should share in the profits or bear any part of the losses which may grow out of your transactions with your foreign correspondents.

In any large transactions impressed with a distinct public interest such as the ear-marking of gold with the Bank of England in June 1917; the deposits you held for the account of the Bank of the Nation of Buenos Aires, which involved their payment in gold within a certain time after the end of the war; the ear-marking of German gold with the Bank of England in June 1919; and the ear-marking of gold with the Bank of France in September 1920, the directors of this bank have cheerfully agreed to a participation, and it is their intention to participate in any similar transactions which may be engaged in hereafter.

In view of the foregoing, the directors have instructed me to advise you that this bank does not care to participate in your arrangement with the Czechoslovakian bank, and with respect to your accounts with the Bank of Japan, Bank of England, Bank of France, de Nederlandsche Bank, Swiss National Bank, and de Javasche Bank, in which this bank has been a participant, to give notice of cancellation of participation agreements hitherto made by this bank except as to transactions in process.



Mr. J. H. Case

- 3 -

June 14, 1923.

With assurances of our appreciation of the courtesy you have accorded us in all these matters, I am

Very truly yours,

(Signed) W. P. G. Harding,

W. P. G. Harding,  
Governor.

WPGH:A

COPY

*Case*

FEDERAL RESERVE BANK OF BOSTON

August 2, 1923.

Mr. J. H. Case, Deputy Governor,  
Federal Reserve Bank,  
New York, N. Y.

Dear Mr. Case:

I am enclosing herewith carbon copy of a letter which I sent  
Mr. Crissinger today.

I thought of this point last night and called Wyatt on the  
telephone this morning and read him my letter to Governor  
Crissinger. He says the point is well taken and I think he  
will advise the Board accordingly.

If you can have your counsel back up my position in this  
matter and send a brief to the Board on the subject, I think  
it will help.

Yours very truly,

(Signed) W. P. G. Harding,  
Governor.

J  
Enclosure.

August 2, 1923.

Hon. D. R. Grissinger, Governor,  
Federal Reserve Board,  
Washington, D. C.

Dear Governor Grissinger:

The report of the Governors' Advisory Committee made to the Board and which I signed late yesterday afternoon does not, in my opinion, condemn in strong enough terms the Claiborne-Adams scheme. To my mind to permit a member bank to unload upon a Federal Reserve Bank its transit items, receive immediate credit for them and have these items in transit counted as part and in many cases all of the member banks legal reserve is absolutely unsound and is indefensible from any standpoint.

You will remember that before the passage of the Federal Reserve Act, national banks were required to carry part of their reserve in their own vaults and in the case of banks in central reserve cities, all of their reserve in their own vaults. The law provided that this reserve should be made up of lawful money, that is, gold and United States notes.

The object of this letter, however, is to call your attention to the fact that under the terms of Section 19 of the Federal Reserve Act the Claiborne plan is probably illegal and on this question I would suggest that you refer the matter to counsel. The point I wish to raise is this - In Section 13 a clause permits a Federal Reserve Bank to receive from any nonmember bank or trust company deposits of current funds in lawful money, national bank notes, Federal reserve bank notes, checks and drafts payable upon presentation, or maturing notes and bills, provided that such nonmember bank or trust company maintains with the Federal Reserve Bank of its district a balance sufficient to offset the items in transit held for its account by the Federal Reserve Bank. Please note that in this case the words "actual net balance" are not used but merely the term "a balance." This seems entirely proper as this balance does not count as part of the nonmember banks reserve but is merely to offset transit items sent the Federal Reserve Bank by nonmember banks.

Under Section 19, however, which relates to reserves, this language occurs - "Every bank, banking association or trust company which is or which becomes a member of any Federal Reserve Bank shall establish and maintain reserve balances with its Federal Reserve Bank as follows:

- (a) If not in a reserve or central reserve city....it shall hold and maintain with the Federal Reserve Bank of its district an actual net balance equal to not less than seven per centum of the aggregate amount of its demand deposits and three per centum of its time deposits.
- (b) If in a reserve city.....an actual net balance equal to not less than ten per centum, .....and
- (c) If in a central reserve city.....an actual net balance equal to not less than thirteen per centum."

Section 19 further provides that "The required balance carried by a member bank with a Federal Reserve Bank may, under the regulations and subject to such penalties as may be prescribed by the Federal Reserve Board, be checked against and withdrawn by such member bank for the purpose of meeting existing liabilities."



My contention is first, that the words "an actual net balance" as used in the paragraphs above quoted have a meaning entirely different from the term "a balance" as used in Section 13 in referring to nonmember bank accounts and, furthermore, the permission given a member bank to check against or withdraw its required balance in a Federal Reserve Bank presupposes that this required balance is an actual net collected balance. If it is conceivable that under the Claiborne plan the "required balance" carried by a member bank with a Federal Reserve Bank would be composed of uncollected checks in transit, it is also conceivable that the required balance of all member banks in a given district might be made up in whole or to a large extent of uncollected checks.

It has been demonstrated I think to the Board's satisfaction that commercial banks which give immediate credit at par require compensating actual balances for them; if they did not they would be unable to meet checks drawn against uncollected items and a Federal Reserve Bank might find itself in a position where it would be unable to meet withdrawals of its member banks against their reserve balance if such balances were made up of uncollected items.

It seems to me that if there is any feeling on the part of any member of the Board that it would be wise to adopt the Claiborne plan which provides for immediate credit to the reserve account of a member bank of items which the Reserve Bank cannot collect except in from one to four days, it would be advisable to ask counsel for his construction of the reserve requirements as laid down in Section 19 of the Federal Reserve Act.

Yours very truly,

W. P. G. Harding,  
Governor.

C O P Y

August 2, 1923.

Hon. D. R. Crissinger, Governor,  
Federal Reserve Board,  
Washington, D. C.

Dear Governor Crissinger:

I wrote you this morning raising the question as to the legality of the Claiborne plan to have the Federal reserve banks give immediate credit to the reserve accounts of member banks for intra district checks. I desire now to supplement statements made in that letter by inviting your attention to the Federal Reserve Act in its original form as approved December 23, 1913.

Section 19 of the original act provided that a part of the member banks legal reserve must be carried in its own vault and a part with the Federal Reserve Bank of its district. Section 19 of the act as it now stands is a material amendment to the original act and is part of an act approved June 21, 1917.

The present law provides that all reserves must be kept in the Federal Reserve Bank and no cash carried in the vaults of a member bank can be counted as part of its lawful reserve. The original section 19 in prescribing the amount of a member banks total reserve to be carried with its Federal Reserve Bank for a period of twelve months and for each succeeding six months until the total amount required is reached, does not use the word "balance" or "actual net balance" but uses the word "reserves."

For example, original section 19, paragraph (b) "A bank in a reserve city as now or hereafter defined, shall hold and maintain reserves equal to fifteen per centum of its aggregate demand deposits and five per centum of its time deposits as follows:

In its vault for a period of thirty six months after said date, six fifteenths thereof, and permanently thereafter, five fifteenths. In the Federal Reserve Bank of its district for a period of twelve months after the date of aforesaid at least three fifteenths and for each succeeding six months an additional one fifteenth until six fifteenths have been so deposited, which shall be the amount permanently required. For a period of thirty-six months after said date the balance of the reserves may be held in its own vaults, or in the Federal Reserve Bank or in national banks in reserve or central reserve cities as now defined by law."

As I stated yesterday, the Federal Reserve Board during the first two years of its existence, devoted a great deal of careful study to reserve requirements and to the problem of collecting checks and when the Board decided early in the year 1917 to recommend to Congress a further reduction in reserve requirements and the elimination of vault cash as a reserve, it had been determined by the Board not to permit items in transit or float to be counted as reserve. Therefore, the bill which was sent to Congress and which became law on June 21, 1917, used in all three paragraphs relating to the amount of reserve that was to be carried by the various classes of banks, the words "actual net balance."

I am quite sure that if you will refer to the minutes of the Board and to the hearings by the Committees on Banking and Currency of the House and Senate, you will find that there is no doubt of the intention to prohibit by law the counting of "float" or uncollected items as reserve.

Yours very truly,

W. P. G. Harding,  
Governor.



COPY

August 3, 1923.

Dear Governor Harding:

Thank you for your letter of August 2, enclosing copy of a letter of the same date addressed by you to Governor Crissinger on the subject of the legality of the Claiborne-Adams scheme. Our counsel has had the matter under advisement for some time and is of the opinion that the proposal is in plain violation of the terms of Section 19 and of the spirit of the Federal Reserve Act. Further, that any attempt by the Board to put it into effect by regulation would not stand the test of the courts.

However, I think it inadvisable at this time to raise the question of strict legal right. The subject has been consistently dealt with by the Federal Reserve Board in the past on grounds of policy. See ruling of the Federal Reserve Board of September, 1921, Bulletin, page 1080, where the Board ruled on the collection of demand bill of lading drafts. The Board in that ruling said:

"If Federal reserve banks credited the reserve accounts of their member banks immediately upon receipt of the items, this evil (i.e., the evil of the old system of banks counting as part of their reserve deposits, items sent to reserve agents but which were still in process of collection) would be perpetuated and to that extent the purpose of the Federal Reserve Act would be defeated."

I think it better that the question be dealt with now on the same basis as in this former ruling of the Board.

If the Federal Reserve Board should reject the Claiborne-Adams plan on legal grounds, the effort would immediately be made by its proponents to get the law amended by Congress so as to provide means by which it could be put into effect.

Governor Harding

-2-

August 3/23.

There are other reasons which I am sure are not unknown to you and which in my judgment make it inadvisable to raise the strict legal question.

I need not assure you of my hearty concurrence in your views and my desire to do all in my power to gain the end you seek.

Very truly yours,

(Signed) J. H. Case,  
Deputy Governor.

LRM:CSR

Mr. W. P. G. Harding,  
Governor, Federal Reserve Bank of Boston,  
Boston, Mass.



COPY

FEDERAL RESERVE BANK

OF BOSTON

August 4, 1923.

Mr. J. H. Case, Deputy Governor,  
Federal Reserve Bank,  
New York, N. Y.

Dear Mr. Case:

I have your letter of the 3rd inst. and would say that the question of the legality of the Claiborne-Adams scheme or at least that part of it which relates to immediate credit and availability of transit items has already been raised informally by me.

I should think that the Board would reject the plan on good sense and economic grounds, but at the same time I do not think it is amiss to let the members know that their rulings are being closely watched and that the Board cannot make regulations except in accordance with the terms of the Act. I do not shake in your apprehension that, if the Board should reject the Claiborne-Adams plan on legal grounds, Congress might amend the law in order to provide means by which it could be put into effect.

The proposition would amount to this - that National banks and other member banks of the country are not required to carry any cash reserves whatever and that their entire legal reserve, which is now less than the amount which the National banks were formerly required to keep in their own vaults, could be made up in whole or in part of float. In case a serious effort should be made in Congress to amend the Federal Reserve Act in this way, I feel sure that it could be defeated. It would give opportunity to enlist the horse sense of the country against this and other foolish schemes which the radical element may propose.

As to the effect which the Board's recognition of this legal principle may have on present practices of the Federal Reserve Banks, I do not think that it need be appreciable. Our deferred credits are now based on time schedules which are more or less theoretical and, as a matter of fact, the consolidated weekly reports of the System show that the banks have always carried a certain amount of float. This is unavoidable, but when we bear in mind the well established legal axiom "de minimis non curat lex" I see no reason why we should feel disturbed.

One of the older members of the Board is the Chairman of the Law Committee and he is rather proud of his powers of conciliation. His method of dealing with a noisy minority seems to be to ascertain what is wanted and to grant it. He is not very well posted as to banking practices and it seems difficult to enlighten him on this subject; but he has a legalistic mind and is always impressed by suggestions of legal obstacles.



Mr. Cade

-2-

August 4, 1923.

As the matter now stands, the Board has passed the buck to the Advisory Council thus giving Mr. Claiborne about six weeks in which to agitate. To the average member bank the idea of immediate credit is naturally attractive.

In 1915 this whole question was studied very carefully by the Federal Reserve Board and the Governors of the Federal Reserve Banks. \* Mr. Delano had an idea at first that the collection system was a good deal like the car service system of the railroads but he never suggested a one sided system of immediate credit. The plan which he favored at first called both for immediate credit and immediate debit. Many of the banks liked the immediate credit part of it but raised very valid objections to having their reserve accounts charged with checks which they had not seen and of which they knew nothing. They insisted upon their rights to have the checks presented and to make payment at their respective places of business.

The Claiborne-Adams plan means the carriage of float by the Federal Reserve Banks and the immediate availability of transit items as member banks reserves.

Yours very truly,

(Sgd) W. P. G. Harding  
Governor.

J

(In handwriting):

\* Mr. Delano said that it made no difference to the Wabash R.R. if 1,000 of its freight cars were in service on other lines provided the Wabash had in use 1,000 cars belonging to other roads; and that it was not material to the banking system if the San Francisco bank had one million dollars worth of checks on N.Y. and N.Y. had an equivalent amount on San Francisco - for the money was in the banks and the transfer was a mere matter of bookkeeping.

My answer was that in order to do business, railroads must have cars, and banks must have money; that a car is a car, but a check is merely an order for money, and that the Wabash could not handle traffic on mere orders for cars.

He finally came around, and agreed to the views of Warburg and myself which are embodied in the amendments of June 21, 1917.

My diary shows the dates on which I explained the reserve amendment to the House Committee chairman, and to the Senate Committee, and states that the Senate Committee voted, before I left its room, to report the amendments favorably. (See Fed. Reserve Bulletin, Feby 1917, pp. 98-99 and Mch. 1917, p. 188).

W.P.G.H.

COPY

August 6, 1923.

Dear Governor Harding:

I have your letter of August 4th. I was, of course, aware when I wrote you on the third that you had already pointed out to the Board the legal difficulties. However, we are definitely committed here to the policy of resisting the Claiborne-Adams scheme on grounds of good sense and sound banking. There is substantial reason to think success can be had along these lines. As I suggested to you in my letter of the third the Board has already ruled against this proposal in effect, a fact of which they are now not unmindful.

I think it is quite certain that under the circumstances the question of strict technical right might better be left untouched, at least for the time being. Hence I find myself unable to join in your protest on legal grounds, notwithstanding my hearty concurrence in your views,

Very truly yours,

J. H. Case  
Deputy Governor.

W. P. G. Harding, Esq.,  
Governor, Federal Reserve Bank of Boston,  
Boston, Mass.



Mr. Beyer: Will you please write by hand the following letter to be signed by  
Mr. Strong.

January 31, 1924.

Dear Harding:

It was only on my return from the South that I learned of the sad  
tragedy which occurred in your family, and hasten to send this line of sympathy.

Sincerely yours,

Mr. W.P.G. Harding,  
371 Beacon St.  
Boston, Mass.

BS.MM

September 10, 1923.

Dear Governor Crissinger:

I acknowledge receipt of your letter X-3883, dated September 8, 1923, with which you enclosed copy of letter from Hon. L. T. McFadden, Chairman of the Congressional Joint Committee of Inquiry on Membership in Federal Reserve System. I note your request that I furnish the Board with answers which I would individually make to the questions propounded by the Committee, and in accordance submit the following:

1. Effect of the present limited membership of State Banks and Trust Companies. I do not regard the limited membership of these institutions as being altogether unfortunate. Quality should always be considered in the membership of the System, and I have no doubt that there are some undesirable members. It is equally true, however, that there are many non-member banks whose acquisition would be desirable. I believe that there is a gradually developing sentiment among bank depositors throughout the country that the safest and most reliable depositories are the member banks. This sentiment ebbs and flows but gains additional strength whenever clouds appear upon the financial horizon. In my opinion, the influence of the Federal Reserve Board and the respective Federal Reserve Banks should be exerted upon the member banks in such a way as to justify and foster the faith of the public in member banks.
2. Advisability of attempting to increase the membership of the Federal Reserve System. I doubt the wisdom of undertaking a systematic campaign along revival or campmeeting lines to increase the membership. The reasons which actuate desirable non-member banks to remain aloof should, however, be carefully analyzed, and if any of these reasons are well-founded, steps should be taken either by appropriate changes in the regulations of the Board or by amendment of the Federal Reserve Act to remove any valid objections which may be heard, and you will notice that I shall discuss this feature further on and will make a pertinent suggestion.
3. Advice on the present financial conditions in the agricultural sections of the United States. I have already forwarded to the Board a report on conditions in the most distinctive agricultural section of this district; viz, Aroostook County, Maine. I do not know of any especial agricultural credit problems elsewhere in New England. The Legislation of 1922 is, in my opinion, an admission on the part of Congress that the administration of the Federal Reserve System under the law as it stood in the years 1920-1921



was not in any way responsible for the adverse conditions in agricultural sections, and I do not know of any further amendments to the Federal Reserve Act with respect to the agricultural credits that are either necessary or desirable. Time should be allowed for testing the efficacy of the amendments already made.

4. Reasons which actuate eligible State banks and Trust companies in failing to become members of the Federal Reserve System; what administrative measures, if any, have been taken and are being taken to increase such membership; and whether or not any changes should be made in the existing law or in the rules and regulations of the Federal Reserve Board. ... Interest on daily balances of the Federal Reserve System, conflict and competition now existing between National and State banking laws.

In this district there is little, if any, disposition to criticize the Federal Reserve Board or the administration of this bank, and except in the State of Connecticut, local laws do not operate against State banks' membership in the System. In Connecticut, however, the law requires specific reserves to be carried by State banks and Trust companies, and does not admit of any modifications in favor of State bank members. Therefore, the few State banks and Trust companies in Connecticut which are members of the System, work under the handicap of carrying double reserves in order to meet the requirements both of the Connecticut law and the Federal Reserve Act. Efforts have been made repeatedly to induce the Connecticut Legislature to make the same concession as has been made in other States in favor of State bank membership, but due to the efforts and influence of one individual, the President of a Trust Company, who is also a State Senator, and Chairman of the Finance Committee of the Connecticut Senate, these efforts have been unavailing. Further attempts will be made in the succeeding sessions of the Connecticut Legislature, which I hope will ultimately be successful.

During the early weeks of my incumbency here I found that there was a strong sentiment among many of the member banks, as well as the non-member banks, that the Federal Reserve Bank should pay interest on deposits. I took some pains to point out however that in order for the bank to pay interest it must increase its earnings very considerably and that in order to increase its earnings it would be obliged to engage so extensively in open market operations as to put it in active competition with member and non-member banks, and that such a policy would also destroy its character as a reserve bank, for by having its assets actively employed at all times, it would have no means of assisting member banks in times of emergency. These arguments have proved effective and for some months past I have heard of no sentiment in favor of interest on deposits.

There is, however, a feeling that the Reserve Bank is distinctly a Government institution and that the member banks have no actual part or interest in its affairs. No interest is taken in the election of Class "A" and Class "B" directors, and there is absolutely no feeling of



proprietorship on the part of member banks.

Quite recently the Boston Clearing House has inaugurated a movement to bring about a closer contact and keener interest on the part of member banks, believing that it is useless to attempt to bring in non-member banks and State banks as long as there is an aloofness and like warmth on the part of member banks. Enthusiasm is contagious and whenever member banks become active partisans of the System, State banks will apply for membership.

It has been suggested that at the next annual meeting of the New England Bankers Association, one session be set aside for a meeting of the stockholders of the Federal Reserve Bank. This meeting will elect its own chairman and will call for such information as stockholders usually receive at meetings, and will also elect for the term of one year, an Executive Committee of seven. This committee will receive complaints or suggestions from member banks and will take them up with officers and directors of the Federal Reserve Bank. Being representative of the stockholders, conversations can be held with this committee by the officers of the Reserve Bank on questions of mutual interest without fear of the imputation of favoritism, which might be the case at present if the opinions of officers of two or three banks were sought. In view of the fact that the New England Bankers Association does not meet until next June, the Boston Clearing House has requested the President of the Bankers Association of each State in New England to appoint one member of a committee to serve until the stockholders' meeting next June. The President of the Massachusetts Bankers Association has appointed two members of the committee, and one member has been or will be appointed from each of the other New England States. This committee is expected to meet in the near future and will probably have some suggestions to make to the Board before the meeting of Mr. McRadden's Committee in October.

I may say that there is a general feeling among the New England bankers that Section 7 of the Federal Reserve Act should be amended; not with the view of depriving the Government of revenue but rather with the idea of making the System a mutual one. It is argued that as Section 7 now stands, there is no reason why member banks should take any particular interest in the System. The dividends on their stock at 5% per annum are cumulative and are a fixed charge on the net earnings, but the Government gets all the rest. Even the surplus will go to the Government in the event of final liquidation. It has been pointed out that Congress has been more liberal in this respect to the Farm Loan Banks than it has to the Federal Reserve Banks, for the capital of the Farm Loan Banks was supplied originally by the Treasury of the United States, although the Joint Stock Land Banks have now relieved the Treasury of by far the larger part of its stockholdings in the Farm Loan Banks. Farm Loan Banks are exempt from all taxes except as to real-estate owned; their bonds as well as those of the Joint Stock Land Banks are exempt from Income Taxes, and the earnings are applied to the payment of dividends to stockholders, to the creation of a surplus, and the remainder is distributed to borrowers as a rebate of interest.

In the case of the Federal Reserve Banks the capital was supplied entirely by the member banks, which also furnish the deposits. The Government's sole contribution was \$100,000 which was appropriated to pay the expenses of the Organization Committee, of which amount \$17,000 was turned back into the Treasury. The Government has received so far \$135,000,000 from the Federal Reserve Banks as franchise taxes, and it has also had the benefit of their services as Fiscal Agents, the value of which would be hard to estimate. It is argued that the only real contribution that the Government makes to the Federal Reserve Banks is the Federal Reserve note, and that is a contribution only to the extent to which the Federal Reserve note is not specifically covered by a gold reserve.

There is undoubtedly a strong feeling throughout New England that there should be an equitable division of the profits, if any, of the Federal Reserve Banks. It has been pointed out that in the summer of 1913, the original Glass Bill as it passed the House of Representatives, provided for 5% cumulative dividends to member banks, the creation of a surplus equal to 20% of the capital stock, and the division of any additional earnings between the Government and the Federal Reserve Banks in the proportion of 60% to the Government as a franchise tax and 40% to the Reserve Banks to be distributed by them to their stockholders in proportion to the average reserve balances carried during the year. The Owen Bill as it passed the Senate provided for 5% cumulative dividends, the creation of a 40% surplus, and the payment of 50% of any earnings remaining as a franchise tax to the Government, and the setting aside of the other 50% as a trust fund for the payment of claims against insolvent member banks. This introduced the principle of a guarantee of deposits and would have tended to put all member banks on the same footing. Bankers generally protested and the House conferees would not agree to this provision. The differences between the Senate and the House were compromised by the Conference Committee and the bill as reported by that committee, and which finally became a law, provided for 8% cumulative dividends, the creation of a surplus of 40%, and the payment of all additional earnings to the Government as a franchise tax.

In 1919, Section 7 was amended so as to provide for a surplus equal to 100% of the subscribed capital and the retention by the banks as a further addition to surplus of 10%, the remaining 90% to be paid to the Government as a franchise tax. The surplus created, however, under the present law, goes to the Government when the banks are finally liquidated.

I have made no effort to influence banking sentiment in this district but have taken some pains to ascertain just what the sentiment is. There is no disposition to change the character of the Federal Reserve Banks; in fact most of the banks are anxious that they should be continued as Reserve Banks and not as competing banks. There is no longer any general sentiment in favor of interest on deposits but there is a strong feeling that member banks should be accorded the benefits which usually accrue to stockholders.

I think that banking sentiment in New England is in favor of an amendment to Section 7 which would provide: first, for the payment to the



Government of a specific tax by Federal Reserve Banks - a tax based upon the uncovered portion of Federal Reserve notes outstanding, which after all is the Government's real contribution to the System. I have heard suggestions made that this tax be fixed at 2% which is the same as national banks pay, and it has been pointed out that with this tax in effect in 1919, 1920, and 1921, the Government would have received a large return from it, and the Federal Reserve Banks would have been well able to pay it. In 1922 when the reserves were large, the earnings were small, and the tax would have been small. I believe that New England bankers generally would like to see the 6% cumulative dividends continued with no further additions to surplus, and that they would like to have excess earnings, if any, after payment of taxes and dividends, distributed to member banks in proportion to their reserve balances. This principle was recognized by the Glass Bill which passed the House of Representatives in 1913.

I again repeat that I have heard of no disposition whatever to interfere with the administrative and regulatory powers of the Federal Reserve Board, and that banking sentiment here is not actuated by a desire for the actual profit but rather by a feeling that the present provisions of Section 7 are not equitable in that the non-borrowing bank gets no direct benefit while its reserve is used often at a profit by banks which are borrowers.

I have been interested in reading the discussion of this matter in the last two issues, September 1 and September 8, of the United States Investor, written by Mr. Frank P. Bennett, who tells me that he made the suggestions contained therein after discussing the matter with many bankers throughout New England.

5. Par collections. I have not heard of any sentiment whatever in this district against the par collection system, and everything that has been reported to me by our field representative indicates a favorable sentiment.

I am advised also that there has been no general sentiment in favor of abolishing the office of Comptroller of the Currency since March 1921.

There does not appear to be any desire on the part of any New England bank to establish branches outside of its own town or city. In metropolitan Boston which embraces several municipalities, there are two or three national banks, as well as several trust companies, which have branches in various parts of the city and in the suburbs. The national banks which have branches have acquired them either by establishing them while they were operating under State charters as Trust companies or else through merger with converted national banks which had establish branches while they were trust companies. One or two other national banks are considering the question of establishing branches, but if they do, will probably acquire them through mergers. So far I have heard no talk of any national bank surrendering its charter for the purpose of establishing branches as a State institution; although it is probable that one large national bank would have



surrendered its charter had it been unable to establish branches in the manner above described. In many large cities it appears that the establishment of suburban branches is becoming more and more a necessity for a down-town bank.

Very truly yours,

W.P.G. Harding,  
Governor.

Hon. D. R. Crissinger, Governor,  
Federal Reserve Board,  
Washington, D.C.

FEDERAL RESERVE BANK  
OF BOSTON

W. P. G. HARDING, GOVERNOR  
WILLIAM W. PADDOCK, DEPUTY GOVERNOR  
WILLIAM WILLETT, CASHIER  
KRICKEL K. CARRICK, SECRETARY

FREDERIC H. CURTISS  
CHAIRMAN OF THE BOARD  
AND FEDERAL RESERVE AGENT  
ALLEN HOLLIS  
DEPUTY CHAIRMAN OF THE BOARD  
CHARLES F. GETTEMY  
ASSISTANT FEDERAL RESERVE AGENT

ASSISTANT CASHIERS  
ELLIS G. HULT  
ERNEST M. LEAVITT L. WALLACE SWEETSER

*Mr. Case  
Oct 10/25*

October 9, 1925.

Dear Governor Strong:

I have received your letter of the 8th instant and have already looked over the statement which I received yesterday. It seems to me that the adjustments proposed are equitable and I have no changes to suggest.

*See file 410.5*

I am sending you today a copy of my book "The Formative Period of the Federal Reserve System" which, as you will see, deals with the work of the Federal Reserve Board rather than of the banks during the period it covers. If and when you read it, I hope that you will do so with a charitable frame of mind remembering that it is my first attempt at authorship as it will be my last.

Sincerely yours,

*W. P. G. Harding*  
Governor.

*noted by W.B.M.*

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

RECORDED

OCT 13 1925

W. B. M.

J.

FEDERAL RESERVE BANK OF NEW YORK

RECEIVED  
GOVERNOR'S OFFICE

JUL 10 1925 9 20 AM

JUL 14 1925  
FEDERAL RESERVE BANK OF NEW YORK

MEMORANDUM FOR THE GOVERNOR  
FROM THE ASSISTANT GOVERNOR  
SUBJECT: [Illegible]

W. H. W.  
JUL 10 1925



Harding

October 10, 1925.

Dear Governor Harding:

Thank you for your letter of the ninth.

I shall certainly read the book with a great deal of interest, and it will require no charitable frame of mind indeed, when I recall the many difficulties and perplexities which you were required to face during your administration.

I hope the book is favorably received, and that you will not be discouraged as an author.

Sincerely yours,

B.S.  
MSB

W. P. G. Harding, Esq.,  
Governor, Federal Reserve Bank,  
Boston, Mass.

BS.LS

RECEIVED  
OCT 11 1925

Harding

Personal

December 9, 1926.

Dear Governor Harding:

When I saw Governor Strong he asked me to thank you very much for your kind message of December 6.

As I told you over the telephone this morning, the governor is much improved but is yet too weak to undertake correspondence, so he is taking this means of expressing his appreciation. He is shortly to go to Colorado for a period of recuperation, and we hope he will gain back his old-time vigor.

Very truly yours,



J. H. CASE,  
Deputy Governor.

Mr. W. P. G. Harding,  
Federal Reserve Bank of Boston,  
Boston, Massachusetts.

FEDERAL RESERVE BANK  
OF BOSTON

*Ans. 12/9/26  
J. H. Curtis  
for Gov. Strong*

W. P. G. HARDING, GOVERNOR  
WILLIAM W. PADDOCK, DEPUTY GOVERNOR  
WILLIAM WILLETT, CASHIER  
KRICKEL K. CARRICK, SECRETARY

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DEPUTY CHAIRMAN OF THE BOARD

CHARLES F. GETTEMY  
ASSISTANT FEDERAL RESERVE AGENT

*Mate*

December 6, 1926.

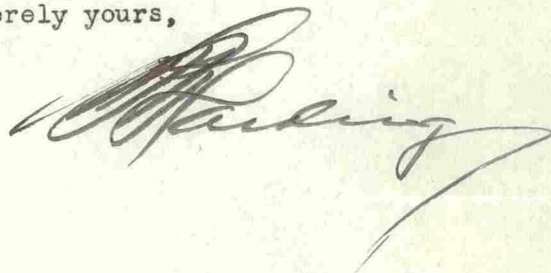
Dear Governor Strong:

Upon my return a few days ago, I was very sorry to learn of your severe illness. I am glad to hear, however, that you are now entirely out of danger and that no serious consequences are likely to ensue.

I trust that you will soon be able to go to a more genial climate where you can recuperate, and I hope that you have a speedy restoration to health.

With kindest regards, I am

Sincerely yours,



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

J



FEDERAL RESERVE BANK  
OF BOSTON

W. P. G. HARDING, GOVERNOR  
WILLIAM W. PADDOCK, DEPUTY GOVERNOR  
WILLIAM WILLETT, CASHIER  
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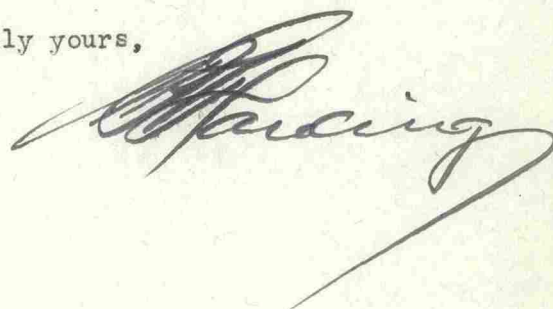
September 22, 1927

My dear Strong:

I am sending you a letter which I dictated yesterday, although I feel that Young's appointment has made the whole question an academic one. In this appointment I think I can see the deftness of your touch and I congratulate you on the excellent work you have done in putting him over and in securing his acceptance.

I think the appointment of Young is "bully" in every respect and to use an expression which has passed into history - "I am deelyighted".

Sincerely yours,



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

J  
Enclosure

September 23, 1927.

My dear Harding:

I was glad to have your various letters this morning. The confidential one of the 21st leads me to write you some further comments, which I shall hope to do so to-morrow.

I am so glad at your reaction to Young's appointment. When the name was suggested and I heard of it as I did, you can be sure that I placed no obstacles in the way.

Young has always impressed me as an upstanding, two-fisted, Irish-American, of the type so clearly expressed in that offhand remark of his at the meeting, when he said that he never lay down in his life unless he was knocked down. You do not know how much anxiety this has cleared out of my mind, for I have been worried a lot about the recent developments and know that you and a lot of the others have been, too. Some time I hope we will have a chance to talk this all over.

Sincerely yours,

Mr. W. P. G. Harding,  
C/o Federal Reserve Bank of Boston,  
Boston, Massachusetts.

BS/RAH

THIRTY PEARL STREET  
BOSTON

September 28, 1927


My dear Strong:

I have received your letter of September 24 which I have read with the greatest interest. It is evident that we are not very far apart in our views.

I am going over to New York Saturday on the one o'clock train and will remain until 5 o'clock Monday afternoon. I shall call at the bank to see you some time Monday morning, and hope that you can spare me a half hour or so for discussion of the situation then.

With kind regards, I am

Sincerely yours,



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



Harding  
W.P.G.

September 29, 1927.

Dear Governor Harding:

I am delighted to get your note and learn that you will be in New York. If you are foot-loose between Saturday evening and Monday morning won't you telephone me at Murray Hill 5179? We might have a little visit uptown.

Sincerely yours,

Mr. W. P. G. Harding,  
Federal Reserve Bank of Boston,  
Boston, Mass.

BS/RAH