January 11, 1924.

PERSONAL

Dear Pierre:

To my astonishment this morning I learned that notification of the approval of the Federal Reserve Board of increases of the salaries of certain of our officers and employees here and in Buffalo, which was expressed in Mr. Eddy's letter of December 26, never reached Mr. Sailer and the other officers, and consequently they have all understood that the salary recommendations are still under consideration by the Board in Washington. You showed me the letter when it was received and it was - as I recall - referred to at the directors' meeting following its receipt. How has the slip occurred, so that this has not gotten into the routine in some way and the necessary advice has not been given in our own office?

Yours sincerely,

Mr. Pierre Jay, Federal Reserve Bank.

BS.MM

m stter Blue Message Nite

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

WESTERN UNION WESTERN UNION TELLES DAM

GEORGE W. E. ATKINS, FIRST VICE-PRESIDEN

CLASS OF SERVICE	SYMBOL
Telegram	
Day Letter	Blue
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If none of these three symbols appears after the check (number of words) this is a telegram. Otherwise its character is indicated by the symbol appearing after the check.

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FEDERAL RESERVE BANK
OF NEW YORK
WYORK NY

TERRE JAY

4 8 FEDERAL RESERVE BANK NEWYORK NY

HAD COMFORTABLE TRIP HOPE YOU WILL ADVISE ME RESULTS COMMITTEE MEETING STRONG.

Digitized for FRASER http://fraser.stlouisfed.org/ Federal Reserve Bank of St. Louis Der Marges.

FEDERAL RESERVE BANK OF NEW YORK

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	-	-		A Th. H. M. Brief			UE

DATE	Jan.	31.	1924	192
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ToMr	. Jay		SUBJECT:	
-				
	Covernon	Ctnong		

The attached letter from Professor Bullock explains itself. Sometime ago he was a little critical of the statements in our monthly review of the early part of last year, thinking that we had overemphasized the word of caution about expansion. I disputed the point with him, and this letter is the result. Possibly Dr. Burgess will like to go over the copies referred to and see whether there is not ground for getting back at him.

will Dellougen please

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE

May 16, 1924

192

Messrs. Jay, Snyder & Burgess

SUBJECT:_

FROM

Governor Strong

Please read and return for my file.

I Strong to Bullocke may 16,19247

MISC.	4. 1-100M-	9-23
- 5	City	
- 5		

FEDERAL RESERVE BANK OF NEW YORK

SUBJECT:

OFFICE CORRESPONDENCE

DATE June 26, 1924 192

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	1 -1 2	71
FROM_	(Ben 1:	Strong

Mr. Jay

This arrived after the child was borne! But first it wandered around trying to find me at 490 Park Avenue. I wonder if the folks at the bank have forgotten where I live!

This is my memory - I four 490 to mins Holmes thinking it was correct!

Digitized for FRASER http://fraser.stlouisfed.org/ Federal Reserve Bank of St. Louis

Jay

July 14, 1924

Dear Pierre:

One thing I overlooked before you left. You reported to me verbally that you had taken up the matter of my changing some investments which would involve the borrowing of some money, with our directors, and as I recall it was at the meeting of either July 2 or June 25. No record was ever made in the directors' minutes, but I think it would be a good plan for my own protection and for my own records and for yours, if you would write me a letter advising just what was done just as I wrote you at the time when you were rearranging your insurance. I would like to have such a letter on file.

There is nothing new at the bank except cooler weather which is a blessing to all of us and especially to the writer. Please give greetings to my friends in London and on the Continent when you see them.

I hope you have a fine trip and come home thoroughly rested and refreshed.

Don't fuss too much over business matters while you are abroad.

With best regards to you and Mrs. Jay, I am,

Yours sincerely,

Mr. Pierre Jay, c/o Mesers. Morgan, Grenfell & Co., 22 Old Broad St., London, England.

BS.MM

July 51, 1924. Dear Pierre: I have just received yours of the 19th on returning from a short trip to Washington. Your letter reads really as though you had absorbed the good advice I gave you and are really taking a rest. That is the most important thing for you to do. I shall await your next letter with word from Norman and Young, if you see them, with a good deal of interest. Matters seem to be progressing very slowing and the continued dispute over the Dawes plan is really discouraging. Ship Morgan's letter is enclosed with this, together with a copy of a letter which I am sending to Mr. Hautain. You will observe that Morgan was very indefinite in his letter, and I didn't want to send anything in the nature of an offer, because the fact is there is no proposal to us. Rounds and I spent a couple of days in Washington, and very much to our surprise found that Mr. James had been already pondering our correspondence on the subject of the work of his committee, and he accepted in toto in fact without change - the program which Mr. Rounds and I had laid out, the drafts of which are enclosed herewith. You will see that the matter is now in pretty good shape. I think Rounds, in view of the committee's attitude, should do whatever he can to promote the program. I saw Harrison last Sunday. He was looking splendidly and appeared to be in fine spirits. The doctors will permit him to leave the hospital in a few days but they don't want him to return to the office until a month after he is discharged from the hospital. The wound is all healed and apparently there have been no after effects. The investment account is now at \$450 million. Money continues as easy as ever. Other than this there is practically no news from the bank. Things are very quiet here, and we have been having some pretty stiff hot weather. Non't you give my best regards to Norman and any other friends of mine when you see them. Also to Mrs. Jay, and my VSEY best to you. Yours sincerely, Mr. Pierre Jay, c/o Messrs. Morgan, Harjes & Co., Paris, France. BS. MM ence.

Digitized for FRASER http://fraser.stlouisfed.org/ Federal Reserve Bank of St. Louis P. S. I learn most confidentially from Mr. Anderson of J. P. Morgan & Company, that they were in fact negotiating for a Belgian loan, that differences of views developed, principally, I think, in regard to the form in which the loan should take, but finally the matter has been laid over pending some definite developments in connection with the Dawes plan and the reparations subject generally. I fully agree with what you wire in regard to the inadvisability of attempting any large transaction until that matter is out of the way.

6. Son

August 5, 1924.

Dear Pierre:

You may like to have some of the office news, none of which, however, is of particular importance just now.

Harrison is in New York to-day on his way through to Nonquit, where he will spend a few weeks with the Glovers. I saw him for a few minutes and found him looking fine, happy to be out of the hospital, and none the worse for the trip up from Baltimore. The doctor at first said it would be all right for him to return to the bank the first of September, so his leave was extended until then, and the Federal Reserve Board gave its approval; but I now have a letter from one of the doctors saying that an additional two weeks would make it safer; and while he is keen to get back, I am urging him not to do so until September 15.

We have delayed a rate reduction as you probably realize because of the fear that it might be misunderstood abroad at a time when apparantly our money market rates here are of much significance in the adjustment of the Dawes plan. Yesterday I cabled to both Young and Norman asking for anything that they cared to give us on that subject, suggesting that we would probably act on Thursday. Unfortunately, five of our directors are in Europe, two more are absent on vacations, leaving but two members of the board here to function with me as the third member of the executive committee to take this action, Of course, as I am not a director it does give a rather thin basis for official action by the bank, but we have four or five of the other directors committed either at previous meetings or in writing to approve a change to 3 per cent., and I feel that any possible legal defect in the formality of the action will be blowed by the approval of the Federal Reserve Board; so we may make the change this Thursday.

Our investment account is now at \$465 million, but we have stopped buying for the moment as New York has been over-flooded with money. Commercial paper is selling from 3 1/4 to 3 3/4 per cent; standard stock exchange loans from 2 1/2 to 3 1/4 per cent. up to six months; and good bills have been selling at 2 per cent., and in some instances, I believe, at 1 7/8 per cent. Our loans to members are running around \$30 million.

We have about 1,300 clerks now in the new building, and by the end of this week the scaffolding will be out of the first floor and it is really beginning to look shipshape. Final decision as to further moving has not been made, but I doubt if any important moves are made before the end of this month.

Mr. Inouye is here and I am planning to take him through the building to-day. His program is changed on short notice and he must leave to-morrow for the Pacific Coast and sail at once for home.

Enclosed is a copy of a letter which we are sending to the Bankovni
Digitized for FRANCE Ministers tva Financi. If this reaches you before you go to Belgium and
http://fraser.stlouisfed.org/

Federal Reserve Bank of St. Louis

call at the National Bank of Brussels, I hope you will make inquiry as to the status of the gold, its condition, etc., and advise us by cable of just what you learn.

Lubbock writes me that Norman has been so preoccupied by the conference that he was unable to reply personally to the recent letter I sent him in regard to the Houblen tankard. Norman will doubtless show you the correspondence if you have a visit with him, and I just want to urge that he should write Woodward some sort of a letter which will be the basis of carrying out the program I suggested. The Clearing House, I am sure, would like to do it, but all that they now have, as you realize, is a verbal suggestion from me.

The program for handling our protest work has been approved by the Federal Reserve Board and will showtly be put into effect. The present plan is to have Messrs. Hamilton, Beyer and Ray take over the work. The last named being a resident of New Jersey would qualify as a New Jersey notary.

Mr. Case seems well. There seems to be no bad news of any kind to send you from home, so don't have us on your mind.

With best regarde to you and Mrs. Jay,

Yours sincerely,

Mr. Pierre Jay, c/o Messrs. Morgan, Harjes & Co., Paris, France.

BS.MM

August 8, 1924.

Dear Mr. Jay:

There is not very much to add to my recent letter beyond acknowledging your two letters of the 16th of July, because everything of importance that has occurred here will be fully exploited in the foreign newspapers. Thank you for writing me so fully.

Yesterday we reduced our rate to 3 per cent. This action was delayed a week or two, as possibly Young may have explained to you, on account of our desire not in any way to complicate matters abroad during the pendency of the negotiations of the Dawes program. On the whole, I think the reaction to our rate reduction has been entirely satisfactory so far as the newspaper accounts go, but we still have to hear from the bankers.

Yesterday a very good report came out of the wheat crop showing possibly seventy odd million bushels in excess of last year's estimates, the crop in excellent condition as to quality, and everything apparently combining this year to help out the wheat grower.

There is no marked change in our discounts or investment account.

Most of the Federal Reserve Board are away, and we are in about the same position as to our directors, five of whom are abroad and two of the remainder are out of the city right along.

Thank you for your letter about my loan. I will have it cleared up before long, but I did want a record in my files in case any question ever arose. As you know, it is a necessary preparation for eventualities, and I could hardly escape handling the matter the way that I have.

We are all well here and not very busy.

with best regards to you and to Mrs. Jay,

Yours sincerely,

Mr. Pierre Jay c/o Messrs. Morgan, Harjes & Go. Paris, France.

BS.MM

Jay

COPY OF OUTGOING CABLEGRAM

August 19, 1924

Ja.y

Care Harjes

Paris

Cable received Trip Brussels not necessary

All well here Regards

Strong

Personal

September 4. 1924.

Dear Pierre:

Yours of August 23 has just come and I have read it with a good deal of interest. There is nothing new in the Czecho-Slovakia matter, and it may be that they will never want the money, anyway. I am glad you had an opportunity for a visit with Logan. He is a most interesting fellow and I think has unusual skill in handling a rather difficult job.

The situation when your cable came about remaining over with Young was complicated by the fact that the Federal Reserve Board was badly scattered and Governor Crissinger did not want to express the views of the Board without consulting some of the members. Miller and James are both West, Hamlin was at Mattapoisett, and a storm had torn down all the telephone wires so we could not reach him by telephone. Cunningham happened to be beyond reach, and the only members available were the Governor and Mr. Platt, both of whom were in our office on another matter. Young's wire to Mellon fixed it all right and final word came from Governor Crissinger while I was off for the week-end, so Mr. Case cabled you.

We have also cabled asking for an indication of the probable date of your return. I was asked this and am unable to give any indication, and thought it just as well to see that our friends in Washington were advised. Also a matter has arisen which gives us a little concern in connection with which we might later on want to have the benefit of your judgment, and although it seems to have been worked out so far as it is possible to just now, it may be that later it will be of advantage if you can do some work on it.

Claibourne's National & State Bankers Protective Association, acting in this instance through the Pascagoula National Bank of Mississippi, has brought a suit in equity in the Southern District of Georgia against the Federal Reserve Bank of Atlanta, McCord as Agent of the Federal Reserve Board, and the Federal Reserve Board itself, which contains a great variety of allegations and prayers, but the real purpose of it is (1) to enjoin the Federal Reserve Bank from collecting checks on the Pascagoula National Bank without providing for the payment of exchange; (2) to enjoin the Federal Reserve Bank of Atlanta from collecting any checks payable outside of the Sixth Federal Reserve District; and (3) to enjoin the Federal Reserve Bank from deferring credit on all checks deposited by the Pascagoula National Bank which are payable within the Sixth Federal Reserve District.

This suit for the first time strikes right at the heart of the Federal Reserve par collection system. I am not so much afraid of the first two points but the question of immediate credit on intra-district checks is one which may give us some difficulty because as you know Willis had a theory that the Federal Reserve Banks acting as clearing houses would be able to effect an immediate debit and credit system on their own books of all checks deposited, and I have every reason to suspect the language used in the Act was all based upon that theory. That is, the theory of deposit and immediate debit or credit rather than the theory of a presentation and collection.

Mr. Davis now being unavailable, we encountered some difficulty in selecting counsel. We had quite a number of meetings and after much debate and deliberation finally decided to retain Mr. Newton D. Baker of Cleveland, and he is now in our office at work on the case. Unfortunately, the answer must be filed on the 20th of September; the hearing on application for an interlocutory injunction is to be held in Atlanta on October 2, and counsel must be prepared at least by October 2 to make an enlightened argument before the United States Judge adequate to convince him that any such interlocutory injunction would be a calamity to the System and to the country, and should not be granted until the case is tried on its merits, especially as no harm would come to the plaintiffs by the continuance of the present system nor money damage be sustained for which the defendants are not amply responsible.

Mr. Harrison is much better and in fact expects to spend this afternoon at the bank going over this matter with Mr. Baker. The latter then goes to Washington to see about the preparation of the papers and the handling of the case.

There is not much news at the bank, and on the whole we have had a rather dull and uneventful summer. I am hoping to get away about the 18th of September and spend a month in Colorado Springs. I have been all right and there is no particular reason for my going, except that the summer has been rather hot and tiring and I thought it would be a reasonable precaution to take at least a month's rest. All the other officers will be at the bank.

McGarrah and I had a long talk about his new job and I have urged him for the present not to resign from our board and have pointed out to Mr. Mellon that it might be highly advantageous to us - at least for a time - to have Mr. McGarrah maintain his connection with the bank. We never can tell when we may in some way become a party to this reconstruction program and would be glad to have one of our own people in such position to give us reliable information and advice.

I am sure you will have an interesting time with Mr. Young, and I am glad it was possible to arrange for you to make the trip with him.

All join in sending best regards.

Yours sincerely,

Mr. Pierre Jay, c/o Messrs. Morgan, Harjes & Co., Paris, France.

BS. MM

OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 29, 1924_192

To Mr. Jay		SUBJECT:	
FROM	Benj. Strong		

Will you look over the attached papers just received from Mr.

Snyder and give me your impressions. It might be a good plan to try and get a reaction from Dr. Stewart and see whether he is still as skeptical as ever about Snyder's volume of trade index.

BS_MSB

FEDERAL RESERVE BANK OF NEW YORK

DATE December 27. 1924 192

OFFICE CORRESPONDENCE

Miss Bleecker

-	Mr. Jay		SUBJEC	т.		
10_			505520			

FROM

Attached is Coast Guard Cutter Permit #1621 for your use. Mr. Strong

has a separate pass. I have agreed to return whichever is not used. The cutter leaves the Barge Office, opposite South Ferry Station and

"I" at 7:30 a. m. to meet steamers arriving up to approximately 10:00 a. m. Special trips are made to meet vessels arriving later in the day. The Boarding Officer, Broad 1642 will furnish definite advice.

The Cunard Line (Piers 53-54-56 North River) advises definitely that the Caronia will dock in Boston on Monday morning, and will not reach New York until Tuesday, possibly even as late as Wednesday. It is too early to get New York arrival time. Cunard Line is Bowling Green 5300

Mr. Strong has sent a message to the party to ascertain whether they plan to disembark in Boston or New York. What reply is received, and what arrangements are made I will let you know later.

Light reading for
the Polyn Brach
M" Pierre Tay
train - W wunch
Digited for ERASER
http://fraser.stlouisted.org/19 East 64 th Street
Federal Reserve Bank of St. Louis

Letters from

J. R. To

Cowles

http://fraser.stlouisfed.org/ Federal Reserve Bank of St. Louis

270 Park Avenue, January 11, 1925.

My dear Pierre:

It seems shocking not to have written you long before this to thank you for Roosevelt's letters to Mrs. Cowles. The fact is I have just been swamped since Christmas, as you know, with so many things to do, and with visitors here, that I have let my personal correspondence get a bit out of hand.

I am delighted to have the book, and hope to read it at Palm Beach and enjoy it very much. And I thank you most warmly for this Christmas remembrance.

Most sincerely yours,

Mr. Pierre Jay, 49 East 64th Street, New York City.

470 Park

W.T.11. 1 20 M 12-24 FEDERAL RESERVE BANK OF NEW YORK

ATTENTION

TELEGRAM

COMMERCIAL WIRE-INCOMING

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1245PM BENJ STRONG

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OFFICE CORRESPONDENCE

SUBJECT:

Palm Beach, Fla.,
DATE February 2, 1925, 1925
FFB 5 1925

P. J.

FROM

Benj. Strong

I want to explain why I telegraphed Harrison after getting your letter, suggesting that I thought it unwise to make the trip to Atlanta.

They have had tremendous rains throughout
Georgia and the trains are running into Palm Beach from
thirty-six to forty-eight hours late. With the train
service as it is, and considering that Atlanta is very
much out of the way for his return trip, I thought it
was a great mistake for him to attempt it with all the
discomforts of travel over the southern routes. Besides
that, Wellborn was down here and not at Atlanta himself
just at the time that Harrison was returning.

You can see by the enclosed map what a round about trip it would have been.

Enc.

R. N. HAMP

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Palm Beneb, Fla.,
en, Feigner 2, 1925.
FFR 5 1925

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· Date!

W.T.11. 1 20 M 12-24 FEDERAL PESERVE BANK OF NEW YORK

ATTENTION

TELEGRAM

COMMERCIAL WIRE-INCOMING

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WIRE TRANSFER

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W.T.11. 1 20 M 12-24 FEDERAL RESERVE BANK OF NEW YORK

TELEGRAM

WIRE TRANSFER DIVISION

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ATTENTION	V		

COMMERCIAL WIRE—INCOMING

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63WUX16 COLLECT BR PALMBEACH FLO 1219P FEB 11 1925 PIERRE JAY ESQ

CHAIRMAN FRB

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OF NEW YORK

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OF NEW YORK

OFFICE CORRESPONDENCE

4.94

DATE June 18, 1925. 192

To Mr. Ja	У	SUBJECT:	
FROM	Governor Strong		-

At the meeting of the Legislative Committee in Washington last week the following resolution was adopted:

> "The amendment to Section 24 of the Federal Reserve Act to authorize any National banking association to engage in the business of purchasing and selling investment securities.

> > 'After discussion, Mr. Talley moved that Governor Strong and Mr. Wills be appointed a subcommittee to make an investigation of this " matter, embracing comparisons of the provisions of the amendment with good state bank laws on the subject, the subcommittee to collaborate with Professor Sprague in the study.'

Mr. Talley's motion, duly seconded, was unanimously carried."

Obviously, it would be impossible for me to do more than to have one discussion of this matter with Professor Sprague next Monday when he is in the I am accordingly writing Mr. Wills, as per attached copy of my letter, which will be mailed if you approve it.

While Mr. Harrison will do some work on this matter, I fear that he is not very well just now and that he will need to be away for ten days. Your own experience in this matter will, I believe, enable you to make a better study of it with Mr. Wills than Mr. Harrison could do. Would you feel willing to undertake it and to lay out some sort of program with Professor Sprague on Monday?

My thought is that we should get the best posted men in such organizations as the First National Bank, the National City Bank, the Guaranty Trust Company, the Bankers Trust Company, and possibly other state and national banks which operate securities departments, and have a very full discussion with them of all the various provisions of the national and state banking laws, and develop some definite theory

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GOVETTION STRONG

the following resolution was adopted:

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OFFICE CORRESPONDENCE

DATE	June	18,	1925.	
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192

To Mr.	. Jay	SUBJECT:	
Front	Governor Strong		

-2-

upon which the subject of further legislation should be approached. Professor Sprague's ideas have not been elaborated to such an extent that I feel competent to discuss them as yet. Of course, it is important to take account of the existence of the various security organizations of the First, City and Chase. In those banks a different problem is presented than appears in the case of national banks which are doing security business but which have no collateral organizations.

I am sorry to be obliged to dump this on to your lap.

For your general information, I am attaching the minutes of the Washington meeting and will ask you to pass it on to Mr. Harrison after reading it, together with this correspondence.

BS.LS Att.

Digitized for FRASER http://fraser.stlouisfed.org/ Federal Reserve Bank of St. Louis June 18: 1925.

PERCE CORRESPONDENCE

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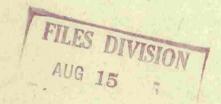
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For your general information, I am abbaching the minutes of the Washington meeting and will mak you to pase it on to Mr. derrison ofter reading it, together with this correspondence.

BS.LS Att.



RADIOGRAN









RADIO CORPORATION OF AMERICA

FORM NO 112

RECEIVED AT 64 BROAD STREET, NEW YORK, AT_____M, DATE.

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PZ RDO CW140

SS HOMERIC GDLJ RCNEWYORK 13

JAY FEDRESERVE

NEW YORK.

THANKS TO YOU AND GANG ALL WELL PAX VOBISCUM

STRONG

Digitized for FRASER

http://fraser.stlouisfed.org/ Federal Reserve Bank of St. **TELEPHONE: BROAD**

To secure prompt action on inquiries, this original RADIOGRAM should be presented at the office of the Radio Corporation. In telephone inquiries quote the number preceding the place of origin INCOMING CABLEGRAM

My Confirmation

London, England
July 8, 1925

Federal Reserve Bank, New York, N. Y.

#79 STRICTLY CONFIDENTIAL FOR JAY.

Your letter of June 29th and cable #20.

Stewart and I convinced that

ONE Separation of recharter and amendments excellent from systems standpoint but

TWO Political critics will attempt to condition recharter upon adoption of pet amendments any way and

THREE the plan assumes that recharter action is now inevitable of which we are far from convinced

FOURTH Therefore feel that the report at September meeting should

(A) avoid pressing the recharter issue

- (B) recommend that no amendment(s) be attempted at present and
- (C) that recharter be considered at the proper time as a separate act from any other changes in the law(s) and

(D) by that course business uncertainty would be avoided

If we must assume that recharter question has become unescapable then our position should be fully discussed with

FIVE

INCOMING CABLEGRAM

- 2 -

Legislative Committee and submitted to Federal Reserve
Board before leading bankers association(s) to believe
that we speak for the system which should maintain
entire freedom from commitments to any organization

Strong

London, July 7, 1925.

Dear Pierre:

While we have had only one day at the Bank, I gather from Dr. Stewart that he is being stuffed so full of information that he will soon have an attach of financial indigestion. At any rate I see his notes piling up pretty fast, and various of the staff of the Bank having long sessions with him; and I can already see the advantage to him, and indirectly to us, in his having made the trip with me.

I hate to burden you fellows with any more work on top of the immense layout in preparation for a possible inquiry, but there is one little bit of work that I am very anxious to have done and ready for me on my return. But if the figures can be prepared before my return, in time for me to see them in London, it will be helpful.

Briefly it is this:

(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.

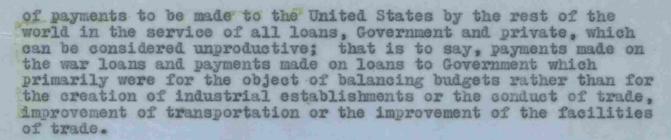
- (2) The amount of payments now under contract or in pending, which would include, of course, the payments by the British and other nations which have funded, and, in general, all of those payments enumerated above, plus payments arising out of the Paris adjustment of distribution under the Dawes Plan.
- (3) The amount of interest and principal to be paid to us on foreign loans which we have made over the past two years or thereabouts, all of which we already have on orecord at the bank.

This figure does not need to be worked out very accurately, nor do we need to make any canvass of loans beyond the record which we already have. The payments, of course, would include interest and amortization of principal.

If possible, I would like to have this divided up between loans to foreign Governments, and loans to commercial, industrial and other private establishments.

In order to explain the figures I am asking for, I want to get at, as nearly as possible, a statement of the amount

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(4) A record of import movements and expert movements of gold prior to the war.

I think it will be found that there were three major gold movements: one was our great export movement in the 90s, which resulted in the purchase of gold under the Cleveland Administration; the second was the big import movement during the panic of 1907; and the third the big export movement immediately before the outbreak of the war.

The object of these figures is to indicate what the burden of payments of the world to the United States amounts to, of an unproductive character, which places a load upon the exchanges in excess of the normal debts, which are ordinarily settled by normal gold movements; and then to show what normal gold movements have been prior to the war.

(5) Then I would like to have the total of British imports, and the total of British exports for the past three years, set up in a table just as now reported at the present price level. And those same figures converted to the pre-war basis, by dividing them by the present price index number.

Of course I realize that this is very rough indeed and will produce a result which is somewhat misleading. But it will give some indication of the position of British trade as contrasted with pre-war conditions.

I would also like to see the same thing done with our own figures for imports and exports over the same three years.

The object of this is to get a contrast of British visible trade figures with the rest of the world, against our visible trade figures with the rest of the world, reduced very roughly to a pre-war basis.

(6) And then I would like to see a chart of the principal exchange rates, prepared in contrast with the dollar, over the period when Germany first made reparation payments on a dollar basis.

Germany to pay reparations entirely in dollars, and that I made a strong protest against the plan because of its likely effect upon dollar exchange.

months prior to the first payments being made. I surmise that it will show a sharp advance in dollars and a depreciation of other exchanges due to the German accumulation of dollars when they converted other currencies throughout the world so as to make the first payments.

(7) Finally, I would like to have any suggestions which occur to you, or Burgess, or Snyder, in regard, generally, to the capacity of the world to make payments to us on old debts without breaking down gold payment.

As I wrote you yesterday, we are leaving tomorrow night for Berlin. I have had a long talk this morning with Mr. Houghton and some of the Embassy staff about affairs here in England, and found that pretty nearly a whole morning was not sufficient. So Mr. Houghton wants me to go to his house this afternoon for tea and finish it up. He is proposing to tell me what he can about affairs in Germany. And I will write you something of it all later.

My best regards to all at the office.

Sincerely,

Mr. Pierre Jay, Chairman, Federal Reserve Bank of New York, 33 Liberty Street, New York.

BS.MSB

FEDERAL RESERVE BANK

OF NEW YORK

Berlin, Germany, July 16, 1925.

Dear Mr. Jay:

This is to acknowledge the receipt of the cable, signed jointly by you and Mr. Sailer, unnumbered, but bearing the test word "bacaz", which I received yesterday via London:

- *ONE At Executive Committee meeting yesterday Owen
 D. Young raised question whether the high volume
 of street loans, now about 150,000,000 above
 total at (time of ?) February rate action, and
 50,000,000 higher than June 26th, should not
 lead us now to raise our rate, or sell more
 securities, or both; and suggested we prepare
 studies of situation for further discussion on
 Thursday. This we are doing.
- TWO Facts are that call money has continued firm at 4 5, commercial rates slightly firmer with better demand and with many sales at 4, signs of slightly better immediate business activity, and some optimism for the autumn owing to excellent crop prospects. Also country is withdrawing deposits moderately.
- THREE Owen D. Young's thought was that if higher money in autumn, due to various causes, precipitates substantial declines in security prices, the results might be more discouraging to business progress than if security price reactions came now, before autumn activity gets under way.
- FOUR Would appreciate your views for presentation
 Thursday, although presume that in any event
 no action would be taken for another week at least."

and to confirm the reply which I dispatched last night, as follows:

"2 Saaxo Your bacaz

- ONE Information is not complete without knowing recent changes New York discounts especially and earning assets. Believe
- TWO Increase to four almost certain to cause increase by other Federal Reserve Banks
- THREE Making later reduction difficult even if then necessary and



FOUR Even our increase alone likely to be be misunderstood as aimed at business expansion

FIVE Feel that stock exchange loan account is factor in our affairs but not our immediate responsibility and if we maintain our present rate no high rate will develop in fall, but

SIX See no objection moderate sales from portfolio as discussed with Open Market Investment Committee

SEVEN General increases at home certain to have unfavorable reaction on sterling and mark exchange just before season when strain occurs

EIGHT From this distance question occurs whether we might not risk too much both at home and abroad in order to admonish only the stock speculator

NINE Stewart has read and is in general agreement."

Except for cables which pass through the Bank of England, and which would bear the regular numbering, I think it would be well if all cables were numbered with the 1, 2, 3, series, as well as tested, since this makes reference somewhat easier. I shall arrange to do so and hope cables from the bank will be similarly numbered.

As I wrote Mr. Case yesterday, we leave on Friday night for Spa, where I hope to be able to continue the work on my notes.

Please give my best to all at the bank.

Sincerely,

the Horong

Pierre Jay, Esq., Chairman, Federal Reserve Bank of New York, 33 Liberty Street, New York.

STVEN General increases at home certain to have unlaworable reaction on sterling and mark exclosing change, just before season when steals course

TIGHT From this distance question occurs whither we might not rish two much both at home and about the stock abroad in order to admonish only the stock appoulator

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Please give my best to all at the bank.

Sincerely,

Terre Jay, Beg., Chairman, Federal Reserve Bank of Now York 33 Liberty Street, New York, a deposit

FEDERAL RESERVE BANK

×010

OF NEW YORK

Spa, Belgium, July 21, 1925.

Dear Mr. Jay:

Yours of July 10 reached me last night. As I have been obliged to let mail accumulate, you will get this with sundry other letters and wonder whether I have not gone into a frenzy of dictation. But it represents quite a few days' work.

Yourletter throws much light on the recharter question. I can well understand Mr. Young's views.

The doubts in my mind possibly are not justified, and yet I cannot help feeling that we may be overestimating the complexion and attitude of the next Congress, especially the Senate, and possibly the President's influence with it. Also that what may appear to be a more favorable trend of public opinion is the natural reaction we get from the successful results of some of our own efforts, as well as the fortuitous occurrence asto McFadden, which may have cut his comb a bit.

What I mean is that the discussions with Traylor, the A. B. A. and others, have indicated a satisfactory attitude in these special quarters, but do not necessarily exhibit any general state of public feeling, such as that which Gregory has attempted to describe, and which may, or may not, have substantial foundation.

You and I have often felt that there were some Federal Reserve Districts where either circumstances, such as bad crop and credit conditions, or where maladroit management, have resulted in a distinctly hostile attitude by the public generally.

We must, of course, be very careful not to get into the position where charges can be made that we are organizing a propaganda. If we avoid that, then when the matter does come up in Congress, I would favor going direct to the Committees of the House and Senate, and urging the program of recharter without amendments, and consenting, if not welcoming, proposals for a study of the Act for the purpose of improving and perfecting it.

The way the crop situation has developed is of the greatest possible aid, and is the one thing which will help us more than any other if the recharter issue comes up.

Sincerely yours,

Pierre Jay, Esq., Chairman, Federal Reserve Bank, 33 Liberty Street, New York. Been: Atrong

Dar Mr. Jay:

Brussels, Belgium July 29. 1925

This will serve to acknowledge the receipt of your cable, received yesterday morning. reading as follows:

"Private and Confidential. No. 4 (test) Your cable No. 3 V

ONE Officers see no immediate likelihood of serious disturbance through stock exchange account. Speculation is widely diffused, margins large, many large operators out of market, and most houses conservative. Volume of loans decreased slightly in last week. You have now probably received memorandum presented to Board of Directors July 16th.

TWO Agricultural prospects excellent and general expectation throughout the entire country of substantially better business volume but no boom.

THREE Offerings of commercial paper light but practically none being purchased Three months time money 4 1/2. Yield on Governments working Borrowings here and in system practically unchanged. slightly higher.

FOUR General anticipation of somewhat higher rate in early autumn. commercial paper may reach 42%.

FIVE Officers think money conditions not ripe for rate increase at present and are satisfied that it would not be understood.

SIX Therefore we recommend no action at present nor until it is clearly indicated by situation, but cannot now predict whether or when that time will arrive.

Have discussed business and speculative situation fully with Alexander and foregoing includes his views which coincide with ours although anything he said regarding rates was volunteered by him.

EI GHT Alexander says present differential between London and New York private rate is not now sufficient to induce bankers here to retain money in London in view of prospect for firmer money here this autumn. He is withdrawing his funds as they mature and today declined London bid for three to six months deposit at 4 5/8% yielding 41%.

NINE If we take no action in the near future and London should now reduce, and if we should then later increase would it not seem appropriate for London if it so desired to increase again on the strength of our action at that time. seems to us more logical and less disturbing here than for us to increase now

TEN Case returns August 3. Saunders and Runkle only directors available till about the middle of August.

ELEVEN Referring to your paragraph 7 should appreciate your communicating with McGarrah and cabling his views."

and to confirm the reply which I dispatched last evening, as follows:

"No. 4 (test) Your telegram to me No. 4 Strictly confidential for Jay

My telegram to you No. 3 reflected belief that (a) you feared danger in stock exchange loan account as suggested your telegram to me 'bacaz' and (b) London would reduce if we did not advance, whereas

Your telegram to me No. 4 indicates (a) is unfounded and coal strike for present defers (b)

THREE Suggest that you keep me advised by cable, always giving position earning assets. Leave for Paris tomorrow Hotel Majestic. Shall see McGarrah and cable results.

FIVE Sending important letter to Case reporting result our talks here, copy for Winston All well. Regards."

It was only after my cable had gone forward that I received, via London, the batch of mail which contained the memorandum submitted to the Directors on July 16. Concerning all of this I will write further just as soon as possible. We are leaving for Paris today and it is not possible to do so before then.

For your information I am enclosing a copy of the message I received yesterday from Dr. Stewart in London, who has been kept in close touch with all of this information. #

Sincerely yours,

(Signed) B. S. to Stewart dated 1/29 4 7/38 respectively, ME

Digitized for FRASER Jay, Esq., http://fraser.stlbustee.org/ Federal Reserve Bank of New York. ederal Reserve Bank of St. Louis

Biarritz, France

CONFIRMATION OF CABLEGRAM

Paris, July 30, 1925.

Federal Reserve Bank,

New York.

No. 5 (test) STRICTLY CONFIDENTIAL FOR JAY

McGarrah believes that he should retire. By elimination arrives at Frew as we did. Suggests selections from Stephen Baker,

Potter and Reynolds for committee. Considers Young essential for another term. In general fully agrees with our views.

STRONG.

Biarritz, France, August 1, 1925.

Dear Mr. Jay:

This is my first opportunity to answer yours of July 17.

I am sorry about the publicity. It could not be avoided in Berlin. I am writing Dr. Burgess about it and he may be able to soothe the ruffled feelings of the press.

I am still unconvinced that the subject of re-charter is imminent, but that we will not know until Congress meets, and, of course, we must be prepared to deal with the situation. The only way in which we can deal with it without appearing to be responsible for any propaganda is to go before the Committees of Congress in the Fall, tell them our story, and leave the matter with Congress. The agitation just now, of course, increases the likelihood of the re-charter question being taken up in Congress. The resolution which you enclose is admirable, but, of course, is calculated to keep the subject alive and increases the likelihood of Congressional action.

If we have to act on this subject, lets do it thoroughly and escape, if we can, the disadvantage of being involved in any propaganda whatever.

Please give my best to all at home.

Sincerely yours,

Pierre Jay, Esq., Chairman, Federal Reserve Bank, 33 Liberty Street, New York.

FEDERAL RESERVE BANK

OF NEW YORK

CONFIDENTIAL:

Biarritz, France, August 3, 1925.

Dear Mr. Jay:

As I cabled you on July 30, from Paris (confirmation of which has already gone forward), I was able to see Mr. McGarrah and discussed with him the matter of the directorship.

It seems that he had been somewhat uncertain about continuing upon the Board of the Reichsbank, but Gilbert and some of the others urged him so very strongly to continue that he has decided to do so. And this means frequent absences, which would interfere with his service on our Board. He feels that he might be criticized if he continued a director and was absent so frequently, and if his continuance is a direct violation of the general understanding about rotation.

I think that he would have liked to remain a member of our Board if it were not that these matters make it unwise for him to do so. And I simply accepted the situation as he explained it.

I then discussed a possible candidate. Of course you will understand that the following is very confidential. Taking up the names in order:

Stephen Baker: Not especially well qualified, and liable to present some danger to the bank on account of the freedom with which he talks.

George F. Baker, Jr: Would be unable to give the necessary time.

George Davison: Not a member of the Clearing House; very intimately associated with Wiggin; probably not acceptable to the other bankers.

Mitchell: Too much a critic of the System. McGarrah knew that he was antagonistic in the extreme, and that he would simply endeavor to effect changes in policy and management which would cause trouble.

Potter: Not desirable on account of the recent record. (5.7.6.)

Prosser: Not as strong a man intellectually as the others; very bad about keeping engagements for meetings (coming late and leaving early) and not able to contribute very much.

Reynolds: Probably one of the best men, but not technically well informed on account of lack of experience, and liable to create the impression that we were paying an obligation on account of war finance, and that the bank might be used.

<u>Wiggin:</u> Very busy. In ability probably the best of any suggested, but the recent experience and the unpopularity of the whole organization would make it less desirable at the present time. He recognized the criticism and thought it would be impossible.

Frew: None of the various objections to any of the others applied with any force to Frew; he is independent; free of associations which would be embarrassing; would meet the demand or the feeling in some quarters that it is time a state bank was represented. The objection was a tendency to speak first and think afterwards; and possibly to talk too freely outside. On the whole, we both agreed that this was the best choice. In fact, objections to the others were so considerable that he felt that an order of choice could hardly be arranged; that Frew was the only one; and if there were any choice it would be possibly Wiggin.

As to the committee: Inasmuch as there were three in 1922, he thought three might be considered this year. And we agreed to suggest Reynolds, Potter and Stephen Baker. This would be a national bank man, a state bank man, and a trust company man. Reynolds is not sympathetic with Wiggin, but he is with the Reserve Bank; and so isPotter. By putting Stephen Baker on the committee, it might deal with a little propaganda, of which we have heard, to have him elected a director.

I think this covers the whole story, and I hope that my cable was sufficient to enable you to go ahead. I could not cable you at much greater length, as we were in a great hurry, and I did not have time to have the message fully coded.

Sincerely yours,

Buy: Arrong

Pierre Jay, Esq., Chairman, Federal Reserve Bank of New York, 33 Liberty Street, New York City.

Hotel du Palais, Biarritz, France, August 11, 1925.

CONFIDENTIAL:

Dear Mr. Jay:

Dr. Stewart will probably start back home on the 25th, and will see you before I have an opportunity to talk with you about the reporting service.

This letter is rather confidential, but, of course, you may discuss it fully with him.

He has decided to abandon the use of the present agencies, and the Department of State, for assembing the data which now goes directly to Washington, and to turn it all over to the Bank of England. They have agreed to obtain the information and make the necessary reports regularly by cable and mail.

The question at once arises as to whether the circumstances justify the Bank of England reporting directly to the Research Department of the Federal Reserve Board. My impression is that if we raised any objection to it, the Bank would decline, and insist upon sending the information directly to us. I have not wanted to take that position, although there is some ground for doing so.

The establishment of these contacts might, in course of time, result in an intrusion by the Board into operating matters having to do with the system's relations with foreign banks of issue in a way which might prove dangerous. Technically the Bank of England only knows the Federal Reserve Bank of New York.

I have told Dr. Stewart that it seemed to me the best plan was to try it out; and we distinctly understood in London that no matters relating to operation or policy, etc., come within the scope of the correspondence. This I shall also explain to Governor Norman, and I think Dr. Stewart has done so already.

The arrangement is that copies of everything going to Washington will be sent to us, as well as of everything sent out by Washington.

I am writing you at once after discussing the matter with Dr. Stewart, and you will doubtless want to have a talk with him immediately upon his return

Sincerely yours,

Pierre Jay, Esq., Chairman, Federal Reserve Bank of New York, 33 Liberty Street, New York.

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Federal Reserve Bank of St. Lo

Dear Mr. Jay:

Hotel Majestic, Paris, France, August 24, 1925.

Thank you for yours of July 31 and the "enclosures," some of which, however, have not reached me.

I do not believe I can make any suggestions as to the first paragraph of your letter. Most of the folks whom I meet over here are not of the character to make such statements, except those who are so intimately associated with us that they could not do it.

Are you quite satisfied that the activity we are displaying in discussions about recharter is wise? From your letter, and Burgess's reports, if I were a detached observer I would rather conclude that the whole matter is being run from our office.

Now the question is whether the Federal Reserve System, as a system, has come to any decision, or adopted any policy in this matter. I believe we should be very careful not to assume responsibility in the absence of any such decision. The first thing to consider is whether the present administration is willing to commit itself to an attempt to secure a renewal of the charter, and I don't see how we can afford to go ahead taking part in the preparation of resolutions and discussions by various organizations, especially before President Coolidge and Secretary Mellon have had a chance to pass on the question, and to definitely decide whether they want to have the idea advanced or would like to have it discouraged. The last word when I left New York was that there would be some consultation in Washington. Then I had your cable, to which I replied that neither Stewart nor I were satisfied that recharter was necessarily before us. In one of your letters or cables I gathered that Governor Crissinger and some members of the Board are opposed to agitating the question, but that Professor Sprague and Owen Young favored it; andthat some of our officers and directors may also.

Unless that matter is really brought up and discussed and formally decided, I think we cannot be too careful in taking all the responsibility on our shoulders of conducting a nation-wide discussion which centers about recharter.

Somewhere in New York there is a very elaborate collection of the substitute money used in 1907. I cannot for the life of me recall where it is. It may be the Clearing House. I think if you inquire of some of the older officers of the Clearing House, who were active in 1907, you can get a trace of it. It may have been Cannon of the Fourth National Bank who made one. Also I suggest making inquiry of Piatt Andrew. I am sorry that my memory is so indefinite.

Don't think that I am throwing cold water on enthusiasm

about publicity. I am simply expressing a word of caution lest we go faster and further than our own colleagues will be willing to support us.

I hope your vacation gives you a needed rest and holiday.

Sincerely yours,

Pierre Jay, Esq., Chairman, Federal Reserve Bank of New York, 33 Liberty Street, New York City. MISC. 4. 1-200M-1-24

OF NEW YORK

FFICE CORRESPONDENCE

DATE October 15, 1925 192

Mr. Jay		SUBJECT:		
ROM	Benj. Strong			
KOIVI	Dell'i Dellotte			

Unfortunately I am obliged to go to Washington on a morning train on Friday, October 23, the day of Mr. Warburg's luncheon to Dr. Schacht. This means that I shall not be able to accept Mr. Warburg's invitation. I understand you will.

May I ask you to arrange to escort Dr. Schacht to the luncheon?

MISC. 3, 1-75M-9-23

FEDERAL RESERVE BANK OF NEW YORK

OFFICE CORRESPONDENCE

DATE_	March	29,	1926	192
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To Mr.	. Jay	SUBJECT:		
FROM	Benj. Strong			

Replying to your memorandum of March 25, attached, I shall be unable to give any further attention to the questions raised by our talks with Mr. Alexander on account of lack of time; but I submit the following suggestions for discussion with him:

1. As to the year-end management of the money market in New York. I agree with Mr. Alexander that the method of "direct action" then employed did not work out well. It would have worked out better had we been able to buy more securities and leave much less to the discretion of the member banks. What some of the New York City banks do not realize is that when they go into the stock exchange money market with large sums of money, even with the best possible intentions, without having a word with us about it in advance, they are simply drawing checks on their accounts with us when they haven't the funds there to meet them, in the expectation that they can come over the next day and borrow the money to make good. This is not the way for a big bank in New York to run its business. The market got into a little jam at the end of 1925 and when that situation developed it required some little management. It should be dealt with by an understanding between the New York member banks and our bank that we will exchange views and handle the matter in a more orderly fashion than we have done. The fault was not wholly ours, any more than it was wholly that of the member banks. I think we are quite justified in saying to Mr. Alexander that if we criticized the member banks for the way they run their affairs, either publicly or privately, with the same freedom that they criticize us, they would not relish it a particle. For some reason the notion prevails that anybody can shoot at the

MISC. 3. 1-75M-9-23

FEDERAL RESERVE BANK OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 2	9, 1926	192
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To Ir.	Jay	SUBJECT:	
FROM	Benj. Strong	-2-	

Reserve Bank, but that we must never, publicly certainly, or even privately, in the minds of many, criticize the member banks.

- The relations between the Federal Reserve Bank of New York and the Federal Reserve Board may appear to be all right on the surface, but underneath they have become almost intolerable. The attitude of suspicion in the minds of some members of the Board in Washington is getting to be so pronounced that a self-respecting person should no longer tolerate it. I have talked it over with Mr. Mellon, and it so happens that he has been at some Board meetings recently where this attitude was so strikingly exhibited that it is very clear to him. I think he is very out of patience with the whole matter. And the time has come Every time I suggest it, some of our own officers, when it should be ventilated. and I think some of our directors, assume the attitude which implies that they think I am a rather contentious person and may be responsible for it myself. If I have displayed any such feeling, it is simply the outgrowth of years of submission to a situation that is abhorrent and ridiculous; and, frankly, I am not going to submit If the directors and the advisory council care to take the matter to it any more. up in my absence, I will be glad to have them do it; if they don't, and it remains unsettled until my return, then I am going to do it myself and either have an understanding or quit.
- 3. The Board's management of the routine business, aside from important questions of policy, has become so slovenly and inefficient that we are all of us inconvenienced and embarrassed. The record of the treatment of the action taken by the Conference of Governors last year is a good illustration. The record



FEDERAL RESERVE BANK OF NEW YORK

OFFICE CORRESPONDENCE

OFFICE CORRESPONDENCE	DATE March 29, 1926 192
To Mr. Jay	SUBJECT:
FROM Benj. Strong	-3-

of their action in regard to the Belgian Credit is another. Their resolution in regard to the meetings of the Open Market Investment Committee is a third. In fact, there is an unbroken record of bad management of these matters, and someone must get at it.

4. Just how the question of personnel in the Board will be dealt with by the President is another question. Time and again various of the Secretaries of the Treasury have discussed with us the question of appointments to the Board. A great many good people have been approached to accept office and have declined. Unless the Reserve Bank managements themselves, who are so vitally interested, are able to make some suggestions as to an improvement in the personnel, it would seem as though our mouths are closed hereafter as to complaint. Why can't the Advisory Council have a frank talk with Mr. Mellon?

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APR 2 4 1926

Washington, D. C., April 9, 1926.

Dear Mr. Jay:

Further thought about the program now being discussed by our directors with Mr. Alexander, makes it desirable for me to refresh your memory on one point.

No one would deplore a purely personal controversy more than

I would. But it may be that nothing short of that will accomplish what

is necessary.

The directors must not overlook the fact that at the meeting of the Board held on March 25, when Secretary Mellon was present, statements were made to the Board by Dr. Miller which, if correctly reported to me by Governor Crissinger (which report was substantially confirmed by Secretary Mellon) are tantamount to accusing me of a crime.

My attitude, as explained to you verbally, is, after all, simple enough. I shall be unwilling to continue to have any relations with the Board where such statements are permitted, or even possible. So the directors must understand that there are only two ways out of the situation: One is for Dr. Miller to resign, and the other is to bring about such a reorganization in the Board as to insure that that sort of thing is going to stop.

I am writing you this so that there may be no possible misunderstanding of my attitude.

Sincerely yours,

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- The Board is disorganised. The Governor is not in control either through influence or votes.
- 2. The result is that the Board is made up of factions with a good deal of bitterness of attitude among its members. They talk freely about one another; and internal politics and maneuvering are said frequently to play a large element in such action as the Board takes.
- 3. Another result is that it is very difficult to obtain a "Board view" on policies and questions arising for decision.
- 4. In dealings between the Reserve banks and the Eoard, particularly on controversial questions, there are many details, often very long ones. For example, the governors of the thelve banks most twice a year and the chairmen meet once a year. At these conferences cortain actions are taken subject to the approval of the Board. Frequently from two to four months pass after the closing of a conference before the Board takes action upon conference recommendations.
- 5. The Board is a supervising, not an operating body, but instead of busying itself with the broad policies of the System the Board busies itself largely with small unimportant dethils and is showing an increasing desire to pass upon operating matters, and to reach into the credit policies of the member banks.
- 8. There is no one on the Board or on its staff with real experience and understanding of bank operations, nevertheless many questions involving bank
 operations come before the Board and, due to this lack of experience,
 impracticable views sometimes crystallize which are difficult to straighten
 out.
- 7. Only one member of the Board, not its Governor, has any understanding or grasp of the economic problems involved in the operation of the System.
- 8. During the past few years there have been no authoritative speeches made by the Board members discussing Federal reserve policy.

S. Coloting I have carli collection Regulation for 3. Conjernonal hurty t 4 Branch banks 42 Salay malter 5 Employment of attorn, 30 Day absendes with Directors 6 Behavior during Confer Then market committee in This on the individual of syring 8 Afreches p://fraser.stlouisfed.org/ deral Reserve Bank of St. Louis

Bk of Suplant Card (a) cloak to miche forms British to it + now as trainsactures 15 properly (6) Falkedinith oscar Crang inspired his articl about illegality to Bitch fort, thetaning on white the had as (c) Later paid Strong has my tori of prichains bills with p Howard the way for fach of the credit (d) wanter us to and 13 d/1 relieve on four of ty not to withdraw for

(Copy of faint handwritten memorandum)

- 1. Disorganization
- 2 . Relation with N.Y.

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- 3. Politics.... bickering....
- 1. Non cash collections.
- 2. Regulation J + reversal
- 3. Congressional Investigation, gold.
- 4. Branch banks
- 4a Salary matter
- 5. Employment of Attorney
 30 day absences
 Interfering with Directors
- 6. Behavoir during Conference
- 6a. Open Market committee meeting
- 7. Irresponsible Discussion by individuals of system matters.
- 8. Speeches
- 9. Stewart
- 1. Bk of England Credit
 - (a) Cloake to make loan to British Govt 4 not a transaction; 4 that Strong had not explained properly.
 - (b) Talked with Oscar Crosby & inspired his article about illegality + loan to British Govt, & throwing doubt on whether the Bd had approved.
 - (c) Later said Strong had suggested idea of purchasing bills with part of our balance so as to prepare the way + make precedent for the Bank of Eng. credit.
 - (d) Wanted us to ask B of E. to relieve us from obligation not to withdraw for 2 yrs.

DATE April 15, 1926

OFFICE CORRESPONDENCE

To Mr. Jay	Subject:
FROM Benj. Strong	ANSWERED
	APR 1 9 1926

This memorandum is written to ask your advice concerning the question of expense involved in my proposed trip abroad, - whether, in fact, it would not be well for me, personally, to stand a certain part of the expense which otherwise would be rather more than that usually incurred by me when I have heretofore been abroad on bank business.

My absence in Washington at the hearings before the House Committee on Banking and Currency last week, and part of this week, have given me too little time to really become familiar with the studies made, and the material gotten together in connection with the questionnaire submitted by the Indian Currency Commission. It therefore means that I shall need to do considerable work on it on the way over. And that, in turn, means having a place to work undisturbed.

As Professors Hollander and Sprague, as well as Mr. Crane and a secretary will accompany me, there seems only one solution, to engage a suite with a private sitting room to be used by the entire party. Such a suite will cost a little over \$2,000. How do you feel about my absorbing part of the expense?

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On Board s/s "Majestic", April 29, 1926.

Dear Mr. Jay:

Please excuse this typewritten letter. I have been rather miserable on the boat and have been sticking pretty closely to bed until the last couple of days, so don't feel much like hand-written letters.

The cigars came safely and are very much appreciated indeed.

I am going to save them until we get ashore, and probably go joint account with Norman.

When we settle down in London and I feel more like letterwriting, I will send you some more account of our trip.

Sincerely yours,

Mr. Pierre Jay, Federal Reserve Benk of New York, 33 Liberty Street, New York.

BG:M

On Board s/s "Majestic", April 29, 1926.

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I am going to save them until we get ashore, and probably go joint account with Norman.

When we settle down in London and I feel more like letterwriting, I will send you some more account of our trip.

Sincerely yours,

Mr. Fierre Jay, Federal Reserve Benk of New York, 33 Liberty Street, New York.

BS:M

Hotel du Cap d'Antibes, Antibes, June 6, 1926.

PERSONAL

Dear Mr. Jay:

You can understand how occupied I have been when I confess that only yesterday did I commence to read the mail, statements, etc. from the office that had arrived since I left, but I am gradually catching up.

This is to thank you for your two letters of May 21st. I am indeed feeling better and more rested, but just now suffer from a tremendous disinclination to do any work at all, which will doubtless last for a few weeks yet.

I am convinced, therefore, of the need for a rest and will take it right here at Antibes.

I am of course anxious about the Mc Fadden bill situation. Your letter and what Mr. Harrison writes indicates that there yet may be a deadlock where the issue will lie over the Hull amendment. I only wish Wingo were available for a little talk, as I believe he not only is intelligent but is open to conviction, and that he is more partisan to the Federal Reserve System and its views than any of us have heretofore realized.

I was so glad to have your letter about Mr. Case. What I wrote him was necessarily rather non-commital. It could not be otherwise, because of the uncertainty in my own outlook, concerning all of which I have written Mr. Harrison and he doubtless has shown you my letter. I am certainly opposed to a long leave of absence; it would work badly both ways. If Mr. Case decides to go to Berlin, I hope you will make no permanent rearrangement of work or positions until either my return or I have had a chance to examine what you propose. This question of assignment of duties is especially my job, both in practice and under the by-laws.

As to the Federal Reserve Board situation, I am without any advices

as to how it affects my commitment at 270 Park Avenue, and there is just an intimation in your letter and in Harrison's that you have not taken what I said on this subject quite as seriously as I intended. Please do not make any mistake as to what my intentions are. The matter was put in your hands, where it belongs as Chairman of the Board, and personally I think it is the most important thing requiring attention.

No word reaches me as to whether Dr. Miller is in Europe or not. If he is and I happen to see him, there will be no escape from a pretty plain talk, so it may be just as well that we don't meet. You have probably not overlooked the fact that Mr. Mellon is sailing for Europe very shortly, and in his absence you will be very much handicapped in accomplishing anything.

Most of my letters have been addressed to Mr. Harrison, as they relate to our foreign business, and I am writing him again today on some aspects of the Italian situation, but I think you will be interested to know that I regard the trip this year as more illuminating in some respects than any I have had, and notwithstanding the gloomy reports which doubtless reach you, I regard the situation over here as the most encouraging for some years past. For the first time, I begin to sense that responsible people are facing the realities and not living in an atmosphere of unwarranted and false optimism. I really think they are beginning to comprehend the need for helping themselves in preference to relying upon ineffective outside aid. This has always been the case in England, has certainly become true of Italy, and what I hear about both Belgium and France indicates a nearer approach to a sound philosophy about their troubles than has been true since the war ended. In both France and Belgium they need leaders, and probably more authority in the Government and freedom from parliamentary

interference than is at present the case.

I am rather dismayed at the prospect of being away as long as it seems necessary, namely, on account of the need for a rest. As nearly as I can look ahead now, it would seem that I will leave for Vienna around the 10th of July and can hardly count upon reaching Berlin before the 1st of August. In addition to seeing the bankers in those cities, I want to have a talk with Vissering of Amsterdam, Bachmann of the Swiss National Benk, Hautain and Dr. Moll, winding up in London. The newspaper notoriety is so unescapable in Paris that I am doubtful of the wisdom of stopping there again. Being away as long as this seems most unfair to you fellows at the office, and I would appreciate a letter, or better a cable, letting me know just how you feel about it.

Such a program as I have laid out will keep me away until around the first of September. As things are quiet, I am counting on my absence interfering in no way with vacations.

My best to you all.

Sincerely yours,

Mr. Pierre Jay, c/o Federal Reserve Bank of New York, New York.

BS:M

Hotel du Cap d'Antibes, Antibes, June 7, 1926.

Dear Mr. Jay:

I was delighted to have your nice letter of May 28th, with all the news of the Council meeting. Of course, it leaves everything up in the air and, I fear, has also somewhat confused the views of the Federal Reserve Board as to the year-end situation in New York. If the members of the Board would only understand that the Stock Exchange loan account cannot be reduced by calling loans; that the only way to reduce it is to reduce the price of stocks then we would get somewhere. As I have said a hundred times, the only effect of calling loans from one bank is to drive the borrower to another bank, and while we like to see the loan account well distributed, so that our borrowing account is well distributed among the member banks, it is absolutely impossible to accomplish anything in the way of a reduction by direct action. The ignorance of the Board of the technique of this matter is responsible for much of the bad feeling that exists, and I regret to say that it is only increased when those within the Reserve System themselves advocate a policy of direct action. My own attitude, as I think you will agree, has been to endeavor to reduce excessive borrowings or too persistent borrowings by any particular member bank not so much because the borrowing is large or persistent, but because our efforts towards reducing that type of borrowing has the effect of churning up the loan account, keeping the brokers jumping from one bank to another, and that in itself is a restraining influence upon over-speculation. Mr. Alexander's discussion of the matter strikes me as being excellent in every way, but when he reports that he had criticized us for what we had done, he could not possibly

have reported the whole story, and possibly it is just as well that he didn't.

Your letter suggests, however, that the Council Meeting may have diverted you and the others at the Bank from one matter which is of particular interest to me, and that is the attitude of the Board, or some members of the Board, towards the Federal Reserve Bank of New York. What I have said to you and written to you may not have been sufficiently convincing, so I can simply repeat that if the matter is not dealt with in some way, I am unable to continue in the unsatisfactory relationship which now exists. This view is suggested by the fact that Mr. Harrison, Miss Bleecker and Phil agreed that it was necessary to renew the lease of my apartment, which I had hoped would not be done unless this matter was disposed of in a way which would make it desirable for me to renew a heavy obligation and one which I would not want to assume if I resigned. Besides that, Mr. Mellon will be leaving, probably by the time this letter reaches you, and then nothing can be done until his return. I hope you will write or cable me on receipt of this letter, advising exactly what is proposed. The Directors may be quite out of sympathy with my attitude, and if so, I should be advised, but I should not have been led into a position where, nothing having been done, my hands are tied by having the obligation of an apartment. Won't you write me fully.

Of course I realize how difficult the situation is, and you must not think I am complaining. Recent developments convinced me, however, that the patience which I have exercised in this matter has been misinterpreted in Washington as being either timidity or exhibiting a supine attitude, which will tend to make matters worse. I much appreciate the help you and the others are attempting and hope it will be effective.

I am having a good rest and enjoying it. Best regards, and thanks for your letter.

Sincerely yours,

Mr. Pierre Jay, c/o Federal Reserve Bank of New York, New York.

BS:M

Hotel du Cap d'Antibes, Antibes, June 20, 1926.

PERSONAL AND CONFIDENTIAL

Dear Mr. Jay:

Thank you for your handwritten note of June 4th.

I am expecting a good deal to develop as a result of Miller's visit, concerning which I will write you separately. Meantime of course, as you realize, the situation is just as unsatisfactory as it can be. I am sorry to have left you such an unpleasant legacy to deal with in my absence, which possibly was not fair to you nor to the Directors, but I will take a hand at it when I get back and have no doubt that you will all appreciate the need for my doing so.

Best regards to all at the Bank.

Sincerely yours,

Mr. Pierre Jay, c/o Federal Reserve Bank of New York, New York.

BS:M

Hotel du Cap d'Antibes, Antibes, July 1, 1926.

PERSONAL AND CONFIDENTIAL

Dear Mr. Jay:

Your letter of June 18th came last night, and this morning I have your cable No. 26. I am sure that you and he in fact, everyone concerned realizes that my decision has been just as much prompted by considerations of health, in fact more than by anything else. If I were personally fit, nothing would please me better than to have a fight to the finish on some of these matters, but I have not felt in condition to stand the racket, nor in the frame of mind to feel confidence in the success of the outcome. I am indeed deeply grateful to you for all that you have done and sorry to have inflicted you with so much of the worry. My reply to your cable, going today, will I hope be entirely satisfactory.

About the Professors' remuneration, I am delighted with the decision; it is based upon facts. That gives a good argument in defense of what we are doing, in case it is ever questioned, and of course it was exactly for that reason and in order that others might give the matter thought and study that I referred it to you in just the way that I did. You may be perfectly sure that both of the Professors will be satisfied. My suggestion that different amounts be paid was the result of my asking Sprague whether this would be satisfactory, and he said "Yes". I asked the question because it is a fact that he made a much more important contribution than Hollander was able to make, although both did a splendid job. I think Hollander was just as conscious of this as Sprague and I were, but I am delighted with what you have done, and know they will be.

I am frank to admit that, in order to avoid the expense account plus fees appearing to be too large a sum, I paid a good many of the expenses myself, as opportunity occurred. We can decide whether they should be separated when I return, or leave them as a part of my expense.

Sincerely yours.

Mr. Pierre Jay, c/o Federal Reserve Bank of New York, New York.

BS:M

Hotel du Cap d'Antibes, Antibes, July 5, 1926.

PERSONAL

Dear Mr. Jay:

Your letter of the 22nd of June has just come.

I should think it would be possible to have a talk with Garrett about these Carroll articles, for they are most harmful. Of course neither Governor Norman nor I had the remotest connection with the change in the Bank of France. I admit that a change seemed more than likely and has for some time, but to associate the change in any way with him or with me was quite unwarranted, and the coincidence would seem to give some color of truth to what was a complete fabrication.

what I wrote you about the meeting of the Council and the Federal Reserve Board is largely based upon what you reported of Alexander's talk to the Board. Alexander was very critical of our attitude in the only talk that I had with him about it, but I am satisfied that he entirely misunderstood the money market situation and he misunderstood our attitude towards the Bank of Commerce when we suggested that there was a limit beyond which I felt the Bank of Commerce should not go in putting money into the Street and then turning around and borrowing from us. I gathered that this was a discussion which took place with the Board and not with Crissinger alone, as you now advise, which does give it a little different character.

But my dissetisfaction with the situation as it had been handled as to my own affairs was based upon the statement contained in numerous letters from the office that nothing would be said to Mr. Mellon about my personal attitude. There was no reason for withholding the information from him, no possible embar-

rassment could have been caused by it, the facts were so simple and the reason for my attitude so sound - I simply have not been well enough to continue a situation which was harassing and causing a strain that I did not feel capable of supporting. Now that Mr. Mellon has had the explanation from Mr. Alexander, apparently made on his own responsibility and without consultation with the Bank, I am able to determine more definitely upon a course of action than I would have been able had Alexander not spoken to him. Of course I shall see him over here and we can talk it over. But all of this was quite unknown to me when I wrote to Harrison and when I cabled you. The trouble has arisen partly from your own feeling, quite unjustified, that I have handed an ultimatum to the Bank. If it is considered an ultimatum, it is not one that I made, but one which arose from causes beyond our control, and that is my own health. The suggestion that I wanted it attacked in "hammer and tongs" fashion is not justified. action our Directors undertook was for them to decide, only it could not be undertaken and anything expected in the way of results when interpreted as an ultimatum. The best thing is to tell Mr. Mellon the whole story and put it up to him.

As to the reported conversation in which Miller took part. I have known him and had intimate dealings with him now for a dozen years and am not likely again to be fooled by any such procedure on his part. For six months or a year prior to the expiration of his first term, he laid himself out to cultivate the friendship and gain the support for his reappointment of all the Governors. It was the subject of a good deal of comment, and at times a good deal of joking and even ridicule. I have always regretted that I was gullible enough to be taken in by it. My interpretation of this discussion is that he is beginning to realize that the situation is going to be a difficult one for him. He is a coward at heart and he is beginning to hedge. I don't know whether your educa-

tion included a careful reading of "The Prince" or not, but you will find a good deal bearing on his attitude in that admirable little volume.

3.

Now I have got this out of my system, and I wish you would forget it. There is not a thing to be done until I get back, and by that time it may all be settled as a result of my talk with Mr. Mellon. I hated to leave a situation like this in the shape it was in when I left, and I hate to delegate to anyone the job of negotiating such a thing for me. It is always unpleasant and always unsatisfactory. I have had no feeling about it except to the extent that I feared the folks at home did not realize that I meant business and was going to stick to my determination.

My best to you as always and a great many thanks. Sincerely yours.

Mr. Pierre Jay, c/o Federal Reserve Bank of New York. New York.

Cart

Juan Lespins. Sent July 17th 1926. Rec'd July 19th 1926.

Federal Reserve Bank,

New York, H.Y.

Testword OK # 38

Referring to your letter of 1st Inst.answered by (Referring to)
my letter of 3rd Inst. to W. R. Burgess (Asst. F. R. Agent)

STRONG

Hotel Trianon Palace, Versailles, July 29, 1926.

PERSONAL

Dear Mr. Jay:

After some exchange of messages, Mr. Gilbert and I motored down to Dinard on Sunday, where we found Secretary Mellon, and after spending a day with him there, we motored back Tuesday as far as Tours and Wednesday Mr. Gilbert and I motored back to Paris.

Mr. Mellon was of course just off the steamer, and as the week of his crossing covered the most critical period here, he was not informed of developments and we were able to give him a pretty full picture of what had been going on. I shall write separately as to that part of our talk. This letter relates to my own situation.

We went over it all very fully. It will be just as well not to quote the Secretary, but it resulted in an understanding that nothing could be done while he and I were both in Europe, that for the moment we would forget the subject, but when we are both back home it is understood that it will be dealt with in one way or another.

Neither he nor I feel certain that anything effective can be done about the situation in the Board. It will also likely prove to be the case that the situation in Europe will so develop that we are for the time being, and possibly for a considerable time, eliminated as a factor, as events may make it impossible for us to be of any real assistance. This will make it much easier to effect arrangements which would allow me to retire as soon as the necessary provision can be made in the Bank. Whichever way matters develop, I shall do nothing that will embarrass the Directors, as you of course understand, and shall of course be

much influenced by the report I get from Dr. Miller.

There is not much more that I can write just now, and I am sorry that it is so indefinite. Many thanks to you for your being so patient with all the trouble I have given you.

Sincerely yours,

Mr. Pierre Jay, c/o Federal Reserve Bank of New York, New York.

BS:M

5

PERSONAL

Dear Mr. Jay:

Hotel de l'Europe, Amsterdam, August 3, 1926.

I was glad to get your nice letter of July 8th, but all letters received since then have been carried about awaiting opportunity to reply, as I have been exceedingly busy, principally listening to long tales of agaish in Paris. There are a few matters in your letter that call for comment.

I am glad of the settlement with Sprague and Hollander, a no sorry the Board questioned the expense account, but after all, Mr. Mellon arranged all of that and it is hardly within their province to question it.

I am glad Mr. Baker is proposed for the address, and he will make a good wholesome one.

About Mr. Lins, of course we cannot expect to keep him. The offer is too good, and I expect he is too good a man for us. While I am glad to see him get along and sorry to lose him, we have got to expect that and I am getting to be a bit complacent about it. On the other hand, I have hesitated to say "Amen" to the suggestion that Mr. Downs take his place. Do you think he has had the experience in credit matters to make it a wise change? It is the kind of an adjustment in the Bank which is most difficult to judge of at this distance, and I would not feel competent to have an opinion about Mr. Downs without knowing more than I do of his experience and past record. As soon as Mr. Lins has decided to leave, I hope you will advise me, as I would like to write him a nice letter.

Of course I approve the salary recommendations, especially Dr. Burgess,

d you have my cable.

I am writing Harrison a line of congratulations about the Clearing House negotiations. I had already dictated a note to Mr. Sailer about the salary classification matter, where it seems to me the Board's action is quite unsatisfactory.

I am glad to hear from you with all the news, and in fact thirst for it. Many thanks and best regards.

Sincerely yours.

P. S. - On going over yours of July 23rd and enclosures, I find that it calls for no reply, but the news was all most interesting.

Mr. Pierre Jay, c/o Federal Reserve Bank of New York, New York.

25:20

Hotel Grand & Euler, August 17, 1926.

Dear Mr. Jay:

I was glad to have your letter of August 5th, giving a lot of the background in regard to our rate situation and the money market.

As hinted in one of my letters, I was beginning to feel a little uneasy about our rate some time ago, but when so far from home, it is hardly fair to make very definite suggestions on that subject. Information is too incomplete. Now, my cable suggesting that we increase to 4% was inspired by a number of considerations, principally those named in the cable, but also the fact that I had opportunity to talk with Norman, Schacht and Vissering at the same time about rate policy, what effect it would have on the Continent, and generally their experience in dealing with a similar situation. They all agreed that, from our standpoint, it would be better to go to 42% at once. This is a second outbreak of speculation, and the control we obtained last time, you will recall, was by using a number of Reserve Bank rates in succession, which we were not proposing to do this time. Both Schacht and Vissering would, on the whole, have felt benefitted by a 42% rate. Norman might have felt a little embarrassment, but his position is still pretty strong, and I think he felt that their market, with a spread of nearly 1% between London and New York on bills, could stand a 42% New York rate, certainly long enough to feel reasonably certain that the coal strike would be settled before they would have to make a change. Without the coal strike, it had been his hope to reduce his rate. Whenever the coal strike is settled, he would like to avoid increasing the rate and, if possible, reduce it; so if we had a 4% rate it might embarrass him later on, after the conclusion of the strike, if our 4% rate was not effective

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and we then had to go to $4\frac{1}{2}\%$. Had we gone immediately to $4\frac{1}{2}\%$, it might be possible later on for us to reduce to 4% at approximately the time when he would like to reduce from 5% to $4\frac{1}{2}\%$.

It seemed wiser, all things considered, not to permit this to appear in your discussions as any considerable influence. There has been altogether too much talk about our policy being subordinated to the needs of Great Britain, and I was glad of the opportunity for the Directors to come to a decision without any particular consideration being given to the foreign effect.

One other influence was in my mind, which I merely suggested in the cable. I have resented very definitely the unprovoked attack by Winston Churchill upon our policy in regard to the debts. His statement in the House of Commons, which was made in connection with the discussion of the French settlement, was made after the Feabody letter was published, but before Mr. Mellon's reply to it. He could have had no excuse that the statement he made was provoked by anything coming from Mr. Mellon or from the Administration, and certainly the Chancellor of the Exchequer cannot justify such statements as he did make because of the publication of such a letter as Mr. Peabody's, written by a private citizen. I feel, as no doubt our Directors have felt, judging from your cables, that the British cannot look to us for support in their stabilization program at the same time that their Chancellor of the Exchequer is abusing us. I have pointed this all out to Governor Norman and think he understands.

Now my fear is that the 4% rate will not be effective, and this is rather confirmed by what the newspapers state in regard to our stock market and business generally, and even further by the fact that I notice that the First National Bank is now borrowing substantially one-half, according to recent reports, of the entire

our bank rate will be less effective than it should be. I suggest that you read the draft of a letter which I sent to Mr. Case, and further that the time has come to make perfectly clear to the First National Bank that their borrowings must be limited.

Won't you please show this to Mr. Harrison, as it will be also a reply to a short letter from him about our rate.

Sincerely yours,

Mr. Pierre Jay, c/o Federal Reserve Bank of New York, New York.

DS:M

Separate of the separate of th

Princess Hotel, Paris, August 26, 1926.

PERSONAL AND CONFIDENTIAL

Dear Mr. Jay:

I have your two letters of the 10th.

During my visit at Evian, I had opportunity for a further talk with Mr. Mellon, and this time he brought the subject up himself. He was quite anxious about finding a suitable person to fill any vacancy that occurs in the Board. The only suggestion I have been able to make so far is Sydney Anderson, and of course we have no knowledge as to his financial situation and whether he can afford to take it. Mr. Mellon has urged me to keep the matter in mind and let him know if I have any further suggestions. Won't you quietly be thinking the matter over and find out how some of our associates feel. We cannot complain about appointments if we curselves are unable to make suggestions when invited to do so.

About the rate situation mentioned in your other letter, I have already written that an informal discussion of the matter with Norman, Vissering and Schacht disclosed the unanimous belief that, under the conditions as I described them, it was better to advance the rate 1% than ½ of 1%, and I think they felt that we were a little timid in using our rate. Norman, of course, has to figure very closely on his exchange position and the possible effects if the coal strike continues or, on the other hand, if it ends. I think he felt that for about six weeks after an increase to 4½% he would likely encounter no difficulties, but after that he might feel the pressure considerably, and of course he is anxious to avoid going to 5½%,

or even 6% if they follow their tradition, at a time when business is depressed and

http://fraser.stlouisfed.org/ Federal Reserve Bank of St. Louis perfectly to have us go to $4\frac{1}{2}\%$. Of course, our rate would have no influence in France, so to sum it all up, while I hope that we may get through the Fall without a further increase, I can see the possibility of its being necessary, and if it is necessary, then it might have been better to advance to $4\frac{1}{2}\%$ rather than go up in two bites.

I have written Harrison about the Indian Currency report, which I think has been misunderstood at home, as will be disclosed when the document arrives.

Best regards to all of you at the Bank. Don't work too hard!

Sincerely yours,

Mr. Pierre Jay, c/o Federal Reserve Bank of New York, New York.

BS:W

Princess Hotel, Paris, September 6, 1926.

My dear Pierre:

Your letter of August 27th reaches me just as I am packing up to leave Paris, and I can only send you a brief letter from here, which I may be able to supplement in London.

By all means, see M. Moreau and Dr. Rist at the Bank of France. lunched with them today, explained your arrival and the nature of our association, and asked them to talk with you as frankly as they have with me. Please. of course, bear in mind that our conversations have been most confidential and practically no one knews about them.

I am enclosing a note of introduction to M. Moreau and one to Mr. Rist, as well as to Stringher, Volpi, and my friend Giovanni Fummi. The last named is Morgan's representative in Rome and a fine fellow. He is very close to the Italian Government.

While here, I hope you have a chance for a visit with Dean Jay, and if possible to do so, he will, I am sure, be glad to have you meet my friend Jean Monnet, who has been most helpful and is a very wise fellow. Monnet is the only Frenchman that I know of who knows enything at all of my conversations with the Bank of France, and he is a man very close to them, but I am not sure how much ! knows, as most of his information he got from them.

Best regards.

Sincerely yours,

Mr. Pierre Jay, c/o Morgan Harjes & Company, 14, Place Vendome, PARIS.

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Bank of England, London, September 14, 1926.

Dear Pierre:

Many thanks for your bully letter of the 7th. I cannot bear to think that matters are incapable of arrangement. In fact, they must be. On the other hand, I think you and I both realize that when I left New York, the combination of a certain amount of wearing responsibility about the Bank and its management, together with the most unsatisfactory situation in Washington, was proving to be too much for me. I can always tell, not only by the way I feel but by the "thermometer", that it is impossible for me to continue in good health and run a temperature of from one to two degrees at the same time. And when that continues for a couple of months or more, it is sufficient warning that I must either quit or be able to do what I am called on to do in the Bank under circumstances that involve less strain, less anxiety, and probably more than both, less of the constant annoyances that we have suffered for some years past.

I hope you realize that this is not simply a notion of mine to gain more comfort. If it were simply a matter of comfort, I would probably enjoy a row more than I enjoy complete peace, but it is a really definite matter of health as well as peace of mind.

My talks with the Secretary convinced me that he is sufficiently interested to take a definite position, and it is just a question of when and how it should be done. If the outcome is satisfactory, I shall not insist on any change. If it is not satisfactory, then I must.

I hope you have a bully trip, and that you have opportunity directly to get in touch with some of the problems that I have been discussing over here,

because the more we know about the situation, the easier it will be to deal with it when the time comes.

Best regards to you and Mrs. Jay.

Sincerely yours,

Mr. Pierre Jay, c/o Morgan, Harjes & Company, 14, Place Vendome, PARIS.

BS:M

I From Harreson Collection

270 Park Avenue, New York City, November 23, 1926

CONFIDENTIAL:

Dear Mr. Jay:

Those just been over a salary list submitted by Mr. Case and am writing him as per the enclosed copy. You will need the list before you, or a copy of it, to gather the gist of my suggestions herein, which are briefly as follows:

submitting to the Federal Reserve Board any outside name for appointment to your position if you go to Germany. It is disheartening, and there is no man outside of the bank the could take your position who could possibly be as well qualified to fill it as some of the men in the bank.

I admit now, as I have to you orally, that there are difficulties in giving the position the quality of importance which it should have, which of itself means difficulty in getting an outside man. And no one could come into the bank and establish the intimate and psculiar relations which you and I have enjoyed, where all the testaigue of bank organization has been ignored. In other words, if, perchance, I should be remaining as Governor of the bank, I would profer to have a partner (in the sense that you have been a partner) chosen from one of the existing officers of the bank, rather than hazard a new one selected by such a body as the Federal Reserve Board. So, for Reaven's sake, try to persuade the Directors to stay inside the bank.

Please consider the following suggestions:

(a) If Mr. Harrison should be asked to take it, he would not pant it permanently, and it would be necessary to agree to his appointment as Governor in case of my resignation in advance of his taking the place. This is bad procedure, and ignores the Pederal Reserve Board's approval when the promotion does take place.

- (b) I am satisfied that Mr. Case would decline the post if offered to him, even thoughtit could be arranged to make a suitable transfer of his existing duties, at the risk of disorganizing the whole scheme of organization.
- (c) I am satisfied that Dr. Burgeds could fill the position with dignity and to the satisfaction of the bank. And the objections to his promotion, skipping him over the heads of a good many people, etc., etc., will not hold water when the subject is carefully analyzed. If anyone might have ground for objection it might be me. It is really promoting a man who has come up from the ranks over the head of the Governor, in a sense. I have never objected to changing my views when Burgess appeared to be right and I wrong in matters having to do with the bank when he was in a subordinate position, and I should object less if he were Federal Reserve Agent and Chairman of the Board.

Wy recommendation, therefore, is that we should go to the Federal Reserve Board with a definite recommendation to make Burgess Chairman, raising his salary to \$20,000 or \$25,000 a year; to increase Snyder's salary; and to consider sho in the bank's organi ation could be promoted to be Burgess' assistant. Of that I am quite uncretain.

If we were to go outside for a man, my recommendation would be to endeavor to get Dr. Stewart, placing the responsibility upon the Federal Reserve Board. It would be rather a heart breaking ordeal for Burgess, and yet Dr. Stewart was really his superior in the past and would come into the bank as his superior if this change were made.

(2) I hope the Directors will not feel the need for going thead with organization changes until I am able to give the subject more study. And it needs a great deal of study.

haide from the suggestions in this letter, and those in the one to Mr. Case, I have no other comments in mind at the moment. But a little later, after opportunity for a talk with my associates, I will want to make some suggestion about Rounds and Gilbert, and one or two others, which would not be put into effect until after the first of the year if adopted, and would involve no immediate consideration of salaries.

Sincerely yours,

[B Steng]

Harreson Papers

270 Park Avenue, New York City, December 6, 1926

PRIVATE AND PERSONAL:

Dear Pierre:

For the next three or four months, I think for the first time in the Eank's history, you and I will both be absent at the same time. It happens in a period when possibly some important decisions must be made as to matters abroad; as to possible relations in Washington; and as to action on the discount rate.

what I am writing is for you and any of the directors interested to consider privately, and should not be understood to imply any lack of confidence in any of our associates in the Pank, but rather to indicate the method by which the directors may feel perfectly content with the situation now arising:

- I shall be away three or four months, and if it is necessary to appoint any one formally to act during my absence, it seems to me he should be so appointed. I do not like the title of "Acting Governor". It has implications which might cause misunderstanding; and if his portfolio could be handed him with his present title, I think it sould be best.
- 2. It has not always been my practice in the past to discuss possible rate changes at the Officers Council meetings, although at times this has been done. You will remember that the recommendations as to rate changes have always been made by me as a personal recommendation, without

2 Mr. Jay 12.6.26

indicating what has preceded the recommendation. I gather that some of the directors have been disturbed by suggestions of leaks, and by the firther suggestion that there are so many people discussing rate action in the Bank that the possibilities of losks are considerable. While I do not agree with this view entirely, I think it may be wise to have an understanding as to how rate discussion should be managed during this period. It will be best not to have it dealt with by a special committee of the directors, because the Executive Committee already has authority under the by-laws to make rate changes, and any such discussion should naturally be with the Executive Committee. But as that committee meets on Monday, it is too far ahead of the directors! meeting to justify such a discussion. My preference would be to have Mr. Case and Mr. Harrison take up rate questions with Mr. Sailer and Mr. Kanzel on the day of the directors' meeting, and, if possible, consult one or two of the members of the board who serve on the Executive Committee prior to the board meeting. T do not like the idea of recommendations being made to the directors as coming from the Officers Council, indicating formal discussions and records of action taken.

bound to become active with both of us away. In the past certain actions have been taken which appear to establish a precedent as to the Board's authority in certain directions, which I believe have been unfortunate. If the directors feel willing to have a small committee of, say, three members of our board confer on these matters during the next six months, or even longer, my suggestion would be that a committee consisting of the Federal Reserve Agent (when appointed), together with Measure Reyburn and koolley represent the board, and Wr. Case and Mr. Harrison the officers. Any important questions with the Board could then

20

be considered by this committee, and recommendations made to our directors. I would be inclined to have the Federal Reserve Agent set as chairman, and Mr. Reyturn as vice-chairman.

- 4. We may have some important matters in connection with our foreign business to deal with, and is strikes me that a small committee consisting of, say, Mr. Young and Mr. Raynolds, would be best, with the understanding that they would consider matters submitted by Mr. Harrison, or else meet with the deputy governors, so as to give general supervision to these matters during our absence.
- 5. As to Dr. Burgess' appointment, I have had a fine talk with Mr. Reyburn, and judge that the present understanding is that you will have a talk with Dr. Burgess on your return, after which you may wish to have him stop here to see me, and then talk with Mr. Reyburn. Then if you learn through Governor Crissinger that it is desirable for him to go to sashington, he will know what it is all about.

These are just suggestions for consideration first by you, and then by the directors.

Sincerely yours,

Mr. Pierre Jay, Federal Reserve Bans of sea York.

1	CLASS OF SERVICE	Vsvirant 1	1
	TELEGRAM /	0111000	1
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	NIGHT MESSIGE	NITE	1
	NIGHT LETTER	NL	
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WESTER UNION

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

TELEGRAM

DAY LETTER BLUS

NIGHT MESSAGE NITE

NIGHT LETTER N L

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

NEWCOMB CARL TON BREET

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Received at 62 Patton Avenue, Asheville, N. C.

CP3538 /54 III.

TOTAL SK TE 97

DEN STRONG

373

GUEVESTER THE TOTAL HELD

UNTIMATION COMES TO US THAT OUR LAST COURS A CITY DIRECTOR IS
BEING SER OUSLY CONSIDERED AS SUCCESSOR DO YOU CARE TO EXPRESS
PERSONAL VIEWS TO ME AT 49 EAST 64 TH STREET

PIERRE.

[in handwriting]
failure to get that would justify this as second choice. Has Secretary been consulted again. Ben

[In handwriting on back of telegrem of Jay to Strong, Dec. 27, 1926] assuming you mean Gates my reaction is first lacks technical experience and training in economic work, second cannot make extemporaneous addresses or expound our problems, third have understood health has not always been good, fourth deplore abandoning promotion and resulting discouragement stop. Against these I put one is regarded as a trained banker, two knows our board and organization, three enjoys excellent reputation, four would cooperate fully. Stop. Am surprised that certain confidential examiners reports with which you are familiar not been considered. Stop. Am still firmly convinced our recommendation is much the best Stop. Only absolute(over to fromg)

FEDERAL RESERVE BANK

IN REPLY PLEASE REFER

January 12, 1924.

PERSONAL

Dear Ben:

Replying to your personal letter of January 11 regarding the Board's approval of salary increases of officers and employees,
I find that on December 27 you and I both received letters on the subject. After receiving yours you referred it to me and I referred mine to you, not knowing that you had received a letter on the subject.

I cannot recollect exactly what went through my mind that day, but inasmuch as you have been the officer who always deals with the Board in salary matters when you are here, I presume that my assumption must have been that you would give the proper advice to Mr. Sailer. I agree with you that inasmuch as advices to and from the Board go in my name, such letters as this from the Board to me should go automatically to Mr. Sailer and I will see that this course is followed in future.

Yours truly,

Digitized for FRASER
http://fraser.stlouisfed.org/

OMS-2 150M-9-20

FEDERAL RESERVE BANK OF NEW YORK

INTEROFFICE ROUTE SLIP

OFFICE SERVICE MESSENGER SECTION

> DEPARTMENT DIVISION SECTION

ТО	AE Mr	A.M. P.M. Strong	DATE	
		Here is you	our original to the open statement	DEPARTMENT DIVISION SECTION
FROM	P.	Jay		

Digitized fouse PASSFORM instead of office envelope when possible.

http://digesuratediagnormals.curatedeliveryall.communications.should.bedistinctly.labeled.

Federal Reserve Bank of St. Louis

Discussion of 2 R. Polece, cultis on the discount reats (too much) The jet provided for open markets bransactions for a partosse-Lo provide a cushion of credit between members and their borrowings, and kindigms Kata changra which were benalizing -Now in obveaters - In and oux -What the past wear along-What Volume of credit anotaut When mirot = merese, tax on Gorrowne membro reduced FRASERUE Leguidates, forces to borrow &

http://fraser.s<mark>tlouisfed.org/</mark> Federal Reserve Bank of St. Louis

Die 12 762 +104 412 + 250 308 madrial farme Digitized for FRASER http://fraser.stlouisfed.org/ Federal Reserve Bank of St. Louis

accepi.

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us.

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The country's attention seems to have been fixed exclusively upon the discount rates of Federal Reserve Banks as an index to the policy and views of the System.

The public overlooked that section 14 of the Federal Reserve Act was designed in part to give a Reserve bank power to exercise through their purchases and sales in the open market some sort of a moderating effect upon the money rates and credit condition in addition to the power to be exercised in the fixing of discount rates.

Here describe the influence of buying securities in the market and the conversion of a discount account into an industrial account, thereby relieving member banks of the burden of discount cost and of showing borrowed money and how the reserve operation - selling securities, force them to borrow at the discount rate and puts them in position of showing borrowed money.

Show the relation between market rates and discount rates as to the cost to the bank of the discount rate contrasted with the cost of deposits, for instance.

Discuss how purchases and sales of securities in 1922 and 1923 worked.

Explain how the diquidation of securities assists in offsetting gold imports.

Describe the need for a system of policy in these matters.



Describe how policies have been discussed and arrived at.

Explain the need for avoiding conflict with the Treasury borrowing program or in the execution of orders for the Treasury.

Describe how committees of the officers of the
Reserve banks are called upon from time to time to discuss
technical matters and execute the policies which have been discussed and adopted by the System.

Describe how a committee of the governors by the use of the wire system and the interchange of orders is able to carry out such a policy, distributing orders throughout the various Federal Reserve Districts in such a way so that they do not all concentrate in New York City.

CLASS OF SERVICE	SYMBOL
Telegram	
Day Late	Blue
Night Wicssage	Nite
Night Letter	NL
If mone of those Abre	a ambala

If none of these three symbols appears after the check (number of) this is a telegram. Otherwite check (number of) the symbol appearing after the check.

WESTERN UNION WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDEN

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

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

RECEIVED AT 48

NEWYORK NY 505P JAN 18 1924

BENJAMIN STRONG

CARE THE BREAKERS PALMBEACH FLO

PEACH CALLED TODAY STATED HE HAS MADE ARRANGEMENTS WITH PECAN TO PLACE CHEESE WITH STRAWBERRY CITY AND FIRST AS JOINT PRINCIPALS STOP PECAN WILL SEE APPLE SO THERE WILL PROBABLY BE NO NEED FOR YOU TO DO ANYTHING AT PRESENT OATMEAL FORTY SIX TODAY NATURAL MOVEMENT AM WRITING

QUAIL [Jay]

532P

Jan 18 [1926] Dear Ben Peach with spaghelli and another called at 3 today and talke with care and me - It appears that he called on Strawberry + 14plained the situation and with Atrawberry's connent went to Peran and inintes him to become leader which was accepted The managers will be focan, Stawberry, city and first all are in organizating with the nationhunde idea. The present plan is to have a composite cheese of about \$ 180 millions which will include both refunding and new money - In addition Tabout \$ 40 millions vile beplaced locally largely in the purchase flaild. The cheese will be half there and half abroad Pecan is to see apple to you need not have that on your moving up steadily with no arti-

frial arritaires. Peach says he wants Our moral support, I which we armed hin. He also wants Jou to be to to, which I'm doing toy letter ourie, in prast coupt. Case of I were rather aghant when he low us he Was pone ahead Directly, but all's well that ends well . T pucan apparently enjoy fr-Facation in peace.
Care has wilten Jonabout othe things. We seem Hobe busy here - Hope you are betting the ball well. Timber Olney gertuday, & likes it freatly hil.

Dear Ben

Peach[Mori] with Spaghetti[Ichinomiya] and another called at 3 today and talked with Case and me. It appears that he called on Strawberry [K.L.] 's consent and went to Pecan[Morgan] and invited him to become leader which was accepted. The managers will be Pecan[Morgan] Strawberry [K.L.] City and first. All are in sympathy with the nationwide idea.

The present plan is to have a composite cheese[]oan] of about \$180 millions which will include both refunding and new money. In addition about \$40 millions will be placed locally largely in the purchase of land. The cheese [loan] will be half here and half abroad.

Pecan[Morgan] is to see Apple[Hughes] so you need not have that on your mind.

The Oatmeal [yen] has been moving up steadily with no artificial assistance.

Peach[Mori] says he wants our moral support, of which we assured him. He also wants you to be told, which I'm doing by letter + wide, in great confidence.

Case + I were rather aghast when he told us he had gone ahead directly, but all's well that ends well + you can apparently enjoy yr. vacation in peace.

Case has written you about other things. We seem to be busy here. Hope you are hitting the ball well. Finished Olney yesterday, + liked it greatly.

Yrs.[signed] P.J.

President Pear Mori - Peach Hughes - Apple Mellon - Almond State Department - Hickory Treasury Department - Walnut Morgan - Pecan K. L. - Strawberry Inouye - Artichoke New Japanese Finance Minister - Potato Washington - Macaroni Tokio - Marmalade - Spaghetti Ichinomiya Case - Butter Lean - Cheese Bank of Japan Eggs Stabilizing yen - Milk Purchase bills Pork amounting to Guarantee Beef Yen - oatmeal Yen bills - Sugar Sale of dollars - Wheat Open market purchases -Corn Crissinger Cotton Investment com. - partridge Jay quail Fed. Res. Board pheasant Bankers - duck

CLASS OF SERVICE	SYMBOL
Telegram	
ter	Blue
Night assage	Nite
Night Letter	NL

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

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

CLASS OF SERVICE	SYMBOL
Telegram	
Day Letter	B!ue
Night Message	Nite
Night Letter	NL

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

RECEIVED AT 47JN D 71

NEWYORK NY 208P JAN 25 1925

BENJAMIN STRONG

CARE THE BREAKERS PALMBEACH FLO

PLODGERITE WIRES RUMOR OF MATTER YOU AND I DISCUSSED REGARDING
CERTAIN PARTY UNDERTAKING IMPORTANT RECONSTRUCTION WORK THINKS
HIS NAME MAY HAVE BEEN SUGGESTED BY YOUR MILITARY FRIEND ON THE
OTHER SIDE PLODGERITE MAKES NO REMARK REGARDING PARTY BUT WISHES
YOU TO KNOW THAT SPECIFIC CONDITIONS OF LOANS CONTEMPLATED UNDER
PLAN ARE UNSATISFACTORY AND GENERAL CONDITIONS AT PRESENT WOULD
MAKE ANY SUCH LOAN IMPOSSIBLE COPY OF WIRE WAS MAILED YOU LAST
NIGHT

QUAIL (Jay)

311P

OF NEW YORK

IN REPLY PLEASE REFER

April 22, 1924.

Dear Governor Strong:

Your two letters of April 4 and 11 came in a few days apart the latter part of last week, and made me feel guilty for not having written you since you left. But the fact is there has not been a great deal to write about outside of the general question of discount policy concerning which Case and I have cabled you two or three times.

With regard to this subject we have had many discussions in board meetings and out. I think we all felt that we should not attempt to reach any conclusion while the end of March markets were in their disturbed condition, and during the first two meetings in April we had only four present; Treman, Smith, Whitmarsh and myself. Early in April Mr. Case endeavored to arrange a meeting of the open market committee to discuss open market policy, and particularly our buying rates, but for various reasons it did not prove practicable to get a meeting of this committee before to-day, and such discussions as we had over the telephone with various members of the committee seemed to indicate quite a divergence of opinion as to the desirability of reducing our buying rate.

Last week, April 16, we had everybody present but Young and Whitmarsh, and had a thorough discussion of the whole situation. At that time the easier tendency in money had become more apparent and the slackening off in business as the March figures came in became more evident also. I think that at least four out of the seven directors present regarded a rate change as "imminent," to quote your phrase, although they did not feel that it should be made at that meeting.

They also voted favorably to the further acquisition of securities in the market, in spite of the fact that this might reduce market rates still further.

To-morrow Mr. Gase will be back from Washington, having discussed the whole question of credit and discount policy with the committee and with the Board, and we shall be able to plan our course more clearly.

Your report of the present investment policy of the Bank of England is most interesting in view of our discussions here.

This is nothing but a resume of what we have already cabled you. As to other things that have been happening since you went away, one is a new regulation with regard to state bank membership which, after a heated and acrid discussion of two weeks the Board, by a divided vote, promulgated, without submitting it to any of the Federal reserve banks. Indeed we had not even heard that it was under consideration. Several of us protested, and the result was an amended regulation with some objectionable things taken out - the result of a four days' visit to Washington on my part, assisted for one day by Heath and Martin. But it has all stirred up a good deal of feeling on the part of state banks as well as between individual members of the Board. The final vote on the regulation was five to three, the minority consisting of Crissinger, Miller and Platt. For a fortnight the vote stood four to four, the question being whether the Board would go back on its resolution of last November declining to permit members of the Federal Reserve System to have any more branches outside of the city in which their head offices were located. Finally Hamlin produced a compromise which he said he would vote for, to the effect that the resolution of last November would stand unless the Superintendent of Banks in the state affected would certify, and the Board should agree, that the public convenience and necessity made branches outside of the city necessary or desirable.

Work on the building has gone forward excellently. They are setting the

then or so a

cage work on one of the typical floors. They are building the entrance lobby.

They have practically finished the west banking room and are beginning the ceiling in the east banking room. With the scaffolding down, the west banking room seems a brilliant success.

The Congressional inquiry about the building seems not to be coming forward. At least nothing has been said by the Banking and Currency Committee since the Board sent in the figures to them about three weeks ago, and Eddy thinks that the submission of those figures will end the matter.

With regard to officers' salaries. I talked the situation over with Mr. Miller in Washington and found that he was not inclined to do anything further himself on the matter, preferring to let the initiative come from Mr. James. As far as I know Mr. James has taken no steps in regard to it, and yesterday was married to his stenographer, and according to the newspapers, has gone off for a month's wedding trip in the South.

I am enclosing a cut of our building which appeared in a real estate magazine recently, illustrating an article taken from my annual reports. You might like to show it to some of your friends.

We have noted all you said about the German bills, and I think that we made it perfectly clear to Mr. Warburg that our position on them simply was that they were technically eligible and that we would be disposed to buy them, along with other bills, whenever we were in the market. I think he has made our position entirely clear to the members of his syndicate which, by the way, was a great success. He has about twenty of the best banks here and in other cities, all of whose applications he cut down to 40 per cent. of the amount they asked for, in reducing the total amount to \$5,000,000. I hope no misrepresentations will be made on the subject. As yet I have not seen anything at all about it in the papers.

I note what you say about gold. Nevertheless it continues to flow in steadily. Up to April 19, \$26,000,000 had come in through New York and \$8,000,000 was reported en route from London.

> I think that this about ends our news here. With best regards.

> > Sincerely yours.

personae eine

Benj. Strong, Esq., C/o James A. Logan, Jr., Esq., 7 Rue Monsieur. Paris, France.

P. S. Mr. Case has just called me up and said that the committee has finished its deliberations, has voted to increase the amount to \$250,000,000 and to reduce the buying rate to meet the market with a view to gradual accumulation up to the maximum amount agreed upon, the understanding being that when this amount is reached the committee may meet again and consider a further increase up to, say, \$300,000.000. He said that Mr. Winston was at the meeting as well as Governor Crissinger and Mr. Miller, and that Mr. Winston, after consulting with the secretary, reported that he had no objection. He also says that Mr. Miller said that he hoped, after making this decision to accumulate up to \$250,000,000, that there would be no suggestion of a revision of the rate, to which Mr. Case replied that he could make no statement whatever on this subject, and Governor Crissinger said that he personally felt that a revision in the rate was now in order.

Mr. Kenzel is feeling much better of late and has greatly breadened his diet. But his doctor has told him that it is essential for him to get a rest and a complete change of scene, suggesting a sea trip as the best thing for him. He has, therefore, determined upon taking his month's vacation in the form of a

month's trip to London and Paris, sailing on the Celtic about May 1 and returning either May 31 or June 1 on the Belgenland. This, of course, is a purely vacation trip, and he does not expect to talk with business people upon it.

Duar Officerate Strongs

Four two latters of April 4 and II came in a few days apart the latter portion that well, inhumbe on feet position for art tening article on all an along you left. But the fact to there has not been a great tent to write about anticle of the greatest quantum of discount policy concerning which Come and I have wanted you two or three these.

income and out. I think we all fall that we should not attempt to recent my some examine with the end of much markets were to their discurbed continue, that the most the contribute in April we sail only four presents Trains, thating the first two meetings in April we sail only four presents Trains, thating of the same exactly in Artil Mr. Case emissioned to arrange a meeting of the same market contibute to discuss upon market policy, and perilomanly were buying rates, but for various remains it did not prove practicable to get a deeting at this similar to the remains and such discussions as we had once the following mich various account of the consistence emand to indicate quite a discussion of spinion as to the designating of radious four outling rate.

Last week, April 45, we but everyway present but Young and Whitmarch, and has a thorough discussion of the whole situation. At that time the easier tentions in memory had become norw apparent and the sinckening off in business as the Europe Chartes data in became more evident also. I think that at least four and the eases direction properly regarded a rate change as "laminars," to quote

From Mr. Jay

Here is Dr. Burgess's analysis of the points made in Professor Bullock's letter to you of January 10.

whit pos

Theres to Jan Feb 15, 1924

FEDERAL RESERVE BANK OF NEW YORK

IN REPLY PLEASE REFER

TO

May 28, 1924.

Dear Governor Strong:

I am sorry to say that after racking my brains I have not been able to think of anybody to suggest to you as a possible adviser for the Austrian or Hungarian banks of issue. Such men as Blackett and Strakosch, who would be ideal and of whom there are probably quite a number in England, do not seem to me to exist in this country. At least, I cannot think of them. Among the economists Kemmerer has had the best practical experience, dealing with banks of issue and currency systems. I do not know how strong I would want to go on his advice except on theoretical questions.

The fact is, I don't really know just what the duties of the adviser would be; that is, whether he should be a practical man or a theoretical man. Case told me yesterday he was going to suggest Aiken, and he seems to me an excellent man who combines good practical experience with at least some contact with the theoretical side, and who is at present free.

Sincerely yours,

Pingly

Benj. Strong, Esq., C/o Federal Reserve Board, Washington, D. C.

PJ RAH

TELEGRAM

FEDERAL RESERVE SYSTEM

(LEASED WIRE SERVICE)

RECEIVED AT WASHINGTON, D. C.,

BOARD

MAY 29 1924

RECEIVED

5nrs

NewYork 10A May 29

Strong

care Beard Washington

Letter excellent. Have only one suggestion to offer, namely, insertion of words
"And other" after word "Political" in paragraph following paragraph number five.

Possibly Worman Davis might serve in advisory capacity you inquired about

Jay

909A

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2-14901

ERNMENT PRINTING OFFICE

OF NEW YORK

IN REPLY PLEASE REFER

June 21, 1924.

Dear Mr. Strong:

In connection with the letter which Mr. Harrison is writing for you on the subject of the Comptroller's charge for national bank reports, he asked me this morning to find out at what date we began regularly to receive them. Owing to the fact that all of the records of this department are on the moving vans this morning I have only just now received word that we apparently began to receive them regularly about January 1, 1917. As Mr. Harrison left about half an hour ago I am sending you this information in case it may be needed by you to supplement anything he may have been preparing for you on the subject.

Faithfully yours,

Benj. Strong, Esq., 490 Park Avenue, New York City.

July 19. JUL 3 1 1924 arBen his been carry ing out your injunction to forget business o enjoy my jeef very completely thus far, & your basket of fruit + other thing, has helped mater. ally for the food tabut been a 1 on this boat, the every Thing else is extremely nice. In ever to which obliged to you

igitized for FRASER tp://fraser.stlouisfed.org/ ederal Reserve Bank of St. Louis

nation programme he the one thought Est, oreparations of burness which I are defined to dealt Their balances somehour had has come from reading S. What as certained. morgains letter to you from the with its messay from wareless menages that Hautain. I asked tome. were been felling it one to dend me a copy looks as the Joung of your refly - Looking was to talke some afit in the laye, important place of While I can elasily as the washington to do to wetter when the to gor below 350 was agreence to it. Ill hear more defin. tely in Lowdon, but it looks as of wash. I don't see how any of were felling more The allied countries liberal in its attelled Can justify a by Which is all to the permanent stabil. lood. a real slep in

this direction, following The Dawes report was le a poo folitical more, o put Latalette in a defering attitude as to his isolationist Views, I sha think. Its high time we had tome pointing rather than rejative leadership on Jouign matters. roughners in the thoat is all on long ago, o that gon wont have any more alarms/this Juney - Ill unte Jon again after see. ing Womman et all

S. S. "Minnetonka"

Dear Ben -

I've been carrying out your injunction to forget business + enjoy myself very completely thus far, + your basket of fruit + other things has helped materially for the food hasn't been A l on this boat, tho' everything else is extremely nice. I'm ever so much obliged to you for it.

The one thought of business which I have had has come from reading S.Morgan's letter to you with its message from Hautain. I asked some-one to send me a copy of your reply. Looking at it in the large, while I can easily see how France had to do something of an emergency nature when the fc. got below 3.50, I don't see how any of the Allied countries can justify a big permanent stabilization programme till debts + reparations are defined + dealt with, + the results on their trade balances somewhat ascertained.

From the wireless messages that we've been getting it looks as tho' Young was to take some important place + as tho' Washington was agreeing to it. I'll hear more definitely in London, but it looks as if Wash. were getting more liberal in its attitude which is all totthe good. A real step in this direction, following the Dawes report, who be a good political move, + put LaFollette in a defensive attitude as to his isolationist views, Ishd think. It's high time we had some positive rather than negative leadership on foreign matters.

I hope your roughness - in- the-throat is all over Long ago, + that you won't have any more alarms this summer. I'll write you again after seeing Norman et all.

Yrs P.J.

FLEMING'S HOTE 19 - 1924 9 & 10, HALF MOON STREET, 41&42, CLARGES STREET. Dearfor. Mong. Than your letter of July 14 arting me for a memorandum of my report to the Directors, at a meeting shortly before of bailed, concerning your uleution of borrowing a Counderable sum of in columnethon with change ing some of your invertments. I did not ash the Lecretary to make a minute of it, or the Duectors to take any action; but what I said Digitized for FRASER http://fraser.stlouisfed.org/as a vule of the bauh
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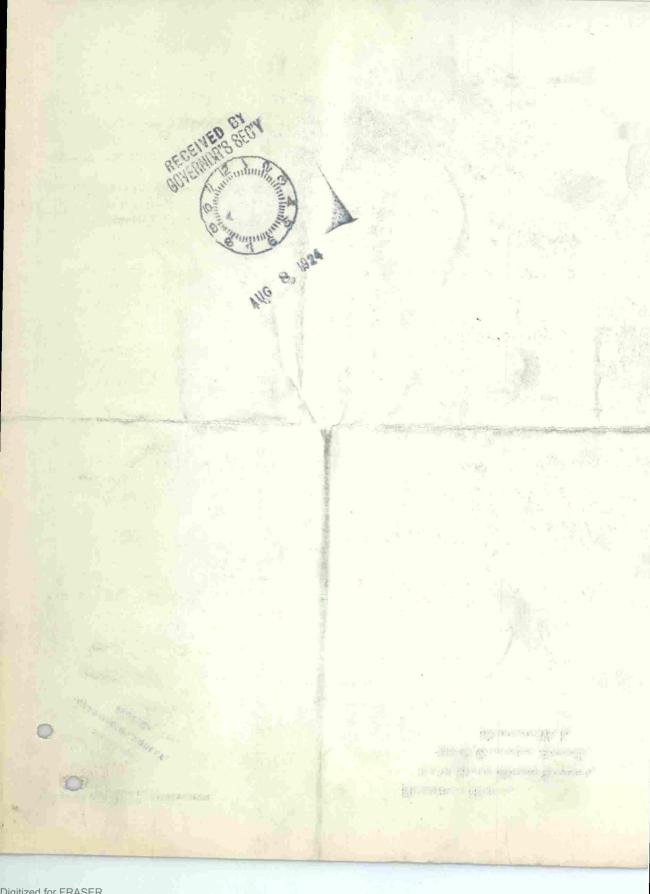
FLEMING'S HOTEL,

9 & 10, HALF MOON STREET,

41 & 42, CLARGES STREET,

MAYFAIR, W. 1.

will cove what jou have in mind I amy



[Copy of handwritten letter to B. Strong from P.Jay, July 26, 1924]

Fleming's Hotel 9+10, Half Moon Street 41+42, Clarges Street, Mayfair, W.1.

Personal file

July 26-

Dear Gov. Strong,

I have your letter of July 14 asking me for a memorandum of my report to the Directors, at a meeting shortly before I sailed, concerning your intention of borrowing a considerable sum of money for a short period in connection with changing some of your investments. I did not ask the Secretary to make a minute of it, or the Directors to take any action; but what I said was to the effect that as it was a rule of the bank that clerks and officers should not borrow money without reporting to the Governor, now you, in changing some of your investments, found it necessary to borrow a considerable sum of money for a short time in order to facilitate the transaction, and that you had asked me to report this to the Directors in case they should have any comment or objection to make regarding it. They appeared to regard the transaction as ordinary and proper, for no one made any remark concerning it and the meeting then adjourned.

Trusting that this will cover what you have in mind, I am
Sincerely yours
Pierre Jay

Hotel Astoria August 32 a couple of days ap I spent an how or wore with Dr. mering in austerdam. He enge particularly after your health & self his best regards. He was starting the next morning on his vacation, having been un on account first of wifes Death or Then of the Roller. dausche affa The latter had all

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Federal Reserve Bank of St. Louis

ent on the Pais wht. He were a bit Jealous of the Disliked being to much tred R.B. 5 ropid expaurion, o up with Paris; + when he not sorry to see then come a foes to see Robinson, l'is bit of a cropber. They was very polite but H. cant fabled for other backing fet over the feeling that R. business. I law a huge Couriders him about as one of his branch manages! Sarbed after Zirling building of theirs in au. Merdan, o a verylage V. said he had now retired one (not yet finished) in The Hagne I expect they & was freceded by a very food man. I arted if he were a bit over extranded, retried on femior V. Said like the grananty with us in 1921. no, he didn't need too, he had made much money Confidentially, that Hautain - too much. It said that he, V., has sheffed a freat has been to see him recently deal of fold to Java on y was auxious to develop balance, the J.B. being more relations with the a firty institution and leusterdam rulet. There that 2. had Keft this vas no money whit in sold most of the fold Brussels o he has Defend.

be had previously held I at a huge prefrit, some thing like 25 whillion full bad po a dividend of on 100 %, and had also p huge tautiennes" which I undentano to be "mare. yers projets " Z's being rained on inging in The fort, o the tauthines vere being reamanged in Some way, so that 2's was being reduced to 650,000. But V. said 2. was more of a private banker than a central banker. He must have some we-Dougal in his makeup! as to serious things V. said he didn't believe finel'

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Hotel Astoria Bruxelles could swing the gold coment. bility of her conveney, + was laining to draw bearily on her my Credit He, t., had no intention of taking any step in this Direction Chead of the England we have a hard time remaining gold payments brayments to the US. He wanted to know what our policy who be, I I felt I could not be very definite about it, except to say that

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conditions. He said that he on Hautain. He was very Did not think much pushed + I had ut much Dutch money was joing time, the couldn't speak to London to take bd much English nor I Vaulage of the higher vales much treuch , to didn't there; but it was too Hicke me as a man of haffen. I what might much wental calibre. fore closing, to put in a I spent a few minutes with Jensen who spoke fair English. I was ringht word of my vinix to Han vory to hear from Bun. tain & halk never stopped long enough to Jos that Care came put pen to paper since back with Tourilitis The last few days have & was out a week. I been spent with the S. tope it didn't press moyans, motoring in s. Jon - I father from his there was nothing itized for From my cale of Property Person Pers Cable about rate that he's back again or thela

[Copy of handwritten letter to B. Strong from P.Jay, Aug. 3, 1924]

Hotel Sstoria, Rue Royale Bruxelles, August 3d

Dear Ben+

A couple of days ago I spent an hour or more with Dr. Vissering in Amsterdam. He inquired particularly after your health + sent his best regards. He was starting the next morning on his vacation, having been under a great strain recently on account first of his wife's death + then of the Rotter-damsche affair.

The latter had all blown over now, he said. The other banks, he said, were a bit jealous of the R.B's rapid expansion, + not sorry to see them come a bit of a cropper. They had expanded very rapidly + grabbed for other bank's business. I saw a huge building of theirs in Amsterdam, + a very large one (not yet finished) in the Hague. I expect they were a bit over expanded like the Guaranty with us in 1921.

Vissering said confidentially, that Hautain had been to see him recently + was anxious to develop more relations with the Amsterdam mkt. There was no money mkt in Brussels + he was dependent on the Paris mkt. He disliked being so much tied up with Paris; + when he goes to see Robineau, R is very polite but H. can't get over the feeling that R. considers him about as one of his branch managers!

I asked after Teilingen[?] V. said he had now retired + was succeeded by a very good man. I asked if he retired on Pension. V. said no, he didn't need too, he had made much money - too much. He said that he, V., had shipped a great deal of gold to Java on balance, the J.B. being a sister institution; and that T. had kept this gold intact but had sold most of the gold he had previously held + at a huge profit, something like 25 million gulden, out of this profit the bank had pd a divident of over 100%, and had also pd huge"tantiennes" which I understand to be "managers profits", T's being 800,000 gulkden. This had raised an inquiry in the gov't, + the tantiennes were being rearranged in some way, so that

[P.Jay to B. Strong, Aug. 3, 1924 continued]

T's was being reduced to 650,000. But V. said T. was more of a private banker than a central banker. He must have some McDougal in his makeup!

As to serious things, V. said he didn't believe Sweden could swing the gold convertibility of her currency, + was having to draw heavily on her N.Y. credits. He, V., had no intention of taking any step in this direction ahead of the procession. He thought England wd have a hard time resuming gold payments due to the huge interest payments to the U.S. He wanted to know what our policy wd be, + I felt I could not be very definite about it, except to say that we would have to be guided largely by home conditions. He said that he did not think much Dutch money was going to London to take advantage of the higher rates there; but it was too early to say what might happen.

Aug.11

I stopped here, before closing, to put in a word of my visit to Hautain + have never stopped long enough to put pen to paper since. The last few days have been spent with the S. Morgan, s motoring in S. France.

There was nothing to report from my call on Hautain. He was very rushed + I hadn't much time, + he couldn't speak much English nor I much French. He didn't strike me as a man of much mental calibre. I spent a few minutes with Jensen who spoke fair Englash.

I was mighty sorry to hear from Burgess?] that Case came back with tonsilitis + was out a week. I hope it didn't press you. I gather from his cable about rate that he's back again on the job.

Hoping you're keeping well, + with best regards to all,

Faithfully yours

Pierre Jay

INCOMING CABLEGRAM

Etretat

August 18, 1924

Strong

Federal Reserve Bank

New York, N. Y.

Yours fifth sorry not returning England or Belgium unless necessary

Jay

Cable racions, nox necessary. all we here - Regard.

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Frault, as some Belgian om in bags, & 6 billions GRAND HÔTEL DE LA POSTE Jerman paper martis re August 23 -I timed after the aruntice Mèmes Maisons: S' soci some fold they were ROYAL-HOTEL.PARIS CHATEL-GUYON (Pde D.) bolding for a foreign DearBen- I got jour letter of the Country; I couldn't muca it was Ez .- etc but think I'm a few days app on returning & of was. not Knowing that from our week in the Touth we were likely to the com of tonce with the I moyang interested I didn't frage and as Id already left Engmuch attention to le as I had but lette time land Belgin Jorgood & But it requires 2 people thought I should telegraph to get into that rankly Jon at once. many thank I the others as well - one. for your return menage requiring 3 people) and as to the fold of Checho slovation I went there was no doubt that it was in a tepthis the baults with pune anate roull , & sutingly I saw each in a Sephrate

sibjetself. I do not however remember I fary warles on it saying that it was set apail for account of any lender. as to the watter between Morinan Thoodward I had never # say action soon as N. is on a Trakation, as I wrote you - I father The was joing somewhere in Savoie In glad to hear that The protest matter is selled Satisfactorily, o am wondering of Becaris is out of it altogethe? I'm sorry to find that some (Piltrbugh white star) is doesn't sail till the 6th instead State of the Ja as I was informed in My.

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Ling she would. I in sorry thus

If to be a day late, but at this

The rush season it would be next

to impossible to change.

Pairs are 26

Pertural I had a half Jesterday I had a half hours chat with Lagan & he lots me a lot of invide confidential Things is a lost the american appoints the ments under the Dawe, plan which soll retail to you when I return

http://fraser.stlouisfed.org/

[Copy of handwritten letter to B.Strong from P.Jay, August 23,1924]

Grand Hotel de la Poste, Rouen
August 23d

NASHE SIMBLE TREE VERSIONS (I'M FILE

Dear Ben-

I got your letter of the 5th a few days ago on returning from our week in the South of France with the S. Morgans, and as I'd already left England + Belgium for good I thought I should telegraph you at once. Many thanks for your return message.

As to the gold of Checheslovakia, I went thru' the vaults with Jansen[?] # saw, each in a separate vault, (a) some Belgian coin in bags, (b) 6 billions

German paper marks retired after the armistice (c) some gold they were holding for a foreign country; I couldn't swear it was Cz.+ etc but think it was, not knowing that we were likely to become interested I didn't pay much attention to it as I had but little time. But it requres 2 people to get into that vault (+ the others as well + one requiring 3 people) and there was no doubt that it was in a separate vault, + entirely by itself. I do not however remember any marks on it saying that it was set apart for account of any lender.

As to the matter between Norman + Woodward I had never heard of it and doubt if you get any action soon as N. is on a vacation, as I wrote you. I gathered he was going somewhere in Savore.

I'm glad to hear that the protest matter is settled satisfactorily,+ am wondering if Curtis is out of it altogether?

I'm sorry to find that my steamer (Pittsburgn, White Star,) doesn't sail till the 6th instead of the 5th as I was informed in N.Y. + probably will not get in till the 16th instead of the 15th as I had expected + been told in N.Y. she would. I'm sorry thus to be a day late, but at this rush season it would be next to impossible to change.

Paris - Aug 26

Yesterday I had a half hour's chat with Logan + he told me about the American appointments under the Dawes plan which I'll retail to you when I return. He has itized for FRASER of the serve Bank of St. Louis

[P.Jay to B.Strong, Aug.23,1924 continued]

TO BUT THE WAY TO SHEEK AREA TO THE TO SEE THE PER SECTION AND ADDRESS ASSESSMENT AS A SECTION OF THE PERSON OF TH

of conference, work, + I gather that he was the compromiser who kept it together. I haven't seen anybody else but hope to see Young + Morrow[?[tomorrow.Yrs P.J.

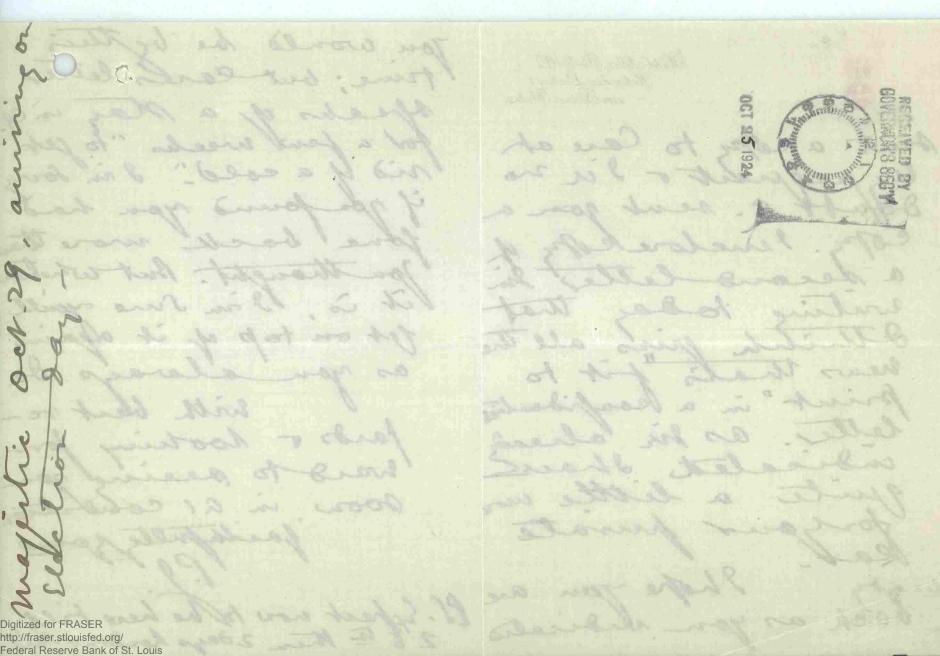
From all collateral accounts you are keeping well, which I'm mighty glad to hear.

I believe It all relates to three priends of yours Paris Och 17 [1924] Ploog, mousieur and Dear Ben - I startiset to suchine a bauber with whom you were formerly as. ap to auswer your letter sociated in the old of tape 4 in + lest world in writing you in a rather I was mighty glad enfetic hoay some of the for went to Colorado ver confidential me. for a mouth the care lights on happenings in a recent letter rea here which I have been to undicate that you heaving o absorbing. The were more poorletten a spell of being who buy pur letter admitted intervened, o how last But, at the best it Male see you to soon I've decided to wait thows that jour still tile deau see you, as it's for your eye on the now all als stuff any -Ball or that's where we now - the interesting the want you to Keep it.

In form your had such a hoto Time schilerer of it. Why is it that our worth is so tising? I hate to be away While the Parapula case is on, as I'm interested in that dawn subject, as you know. But as long as flot. is back to our the job, we have some. one 1000 times more use than me, to I'm feeling happy on that subject both personale & officially. It is fine that? he made Inch a food recovery he been having a most whereting time with long , am freatly obliged to Ion for your part in anaugu It! I haven't been able to Contribute much but was asked only to look after aven sulale end of it the treceipt of payment of woney. of course I have abrorbes a lot about the pland its rounfreation duste criming a long lette a mouth ago of which he

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Federal Reserve Bank of St. Louis

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Dear Ben -

I started sometime ago to answer your letter of Sept. 4th and got involved in writing you in a rather cryptic way some of the very confidential sidelights on happenings here which I have been hearing and absorbing. Then a spell of being very busy intervened, and now as I shall see you so soon I've decided to wait till I can see you, as its now all old stuffy anyhow -- tho' interesting still, I believe. It all relates to three friends of yours -- Plodge, Monsieur and a Banker with whom you were formerly associated in the old Co.

I was mighty glad you went to Colorado for a month, tho' Case in a recent letter seemed to indicate that you were more poorly than your letter admitted. But, at the best, it shows that you've still got your eye on the ball and that's where we want you to keep it. I'm sorry you've had such a hot and tiring summer of it. Why is it that our work is so tiring?

I hate to be away while the Pascagula case is on, as I'm interested in that damm subject, as you know. But as long as G.L.H. is back and on the job, we have someone 1,000 times more use than me, so I'm feeling happy on that subject, both personally and officially. It is fine that he made such a good recovery.

I've been having a most interesting time with Young and am greatly obliged to you for your part in arranging it. I haven't been able to contribute much, but was asked only to look after a very small end of it -- the receipt and payment of money. Of course, I have absorbed a lot about the plan and its ramifications. I wrote Crissinger a long letter a month ago, of which he sent a copy to Case at my request, and I've no doubt Cassent you a copy. I enclose a copy of a second letter I'm writing today that I think gives all the news that's "fit to print" in a confidential letter. As I've already indicated, I have quite a little more for your private ear.

I hope you are already back as you indicated you would be by this time; but Case's letter speaks of a stay in C(olorado) for a few weeks "to get rid of a cold." I'm sorry if you found you had gone back more than you thought. But whatever it is, I'm sure you'll get on top of it again, as you always do.

With best regards and looking forward to seeing you soon in A-l condition.

Faithfully yours,

(signed) P. J.

P.S. I expect now to be here till 26th then 2 days in London and sail "Majestic" Oct. 29, arriving on Election Day.

FEDERAL RESERVE BANK KNOWN FOGED

OF NEW YORK

JAN 331225 21, 1925.

Dear Governor Strong:

I am going to write briefly of a number of different things, just as they come into my head.

- (1) I presume you saw in the Times on January 19 that the post office had decided to establish a rate of 4.87 for sales of postal money orders on Great Britain, beginning January 22.
- (2) The executive committee of the Federal Reserve Council are meeting here to-day to express an opinion to the Federal Reserve Board in regard to the McFadden bill.
- (3) I went up to the Tuesday job meeting yesterday morning to get a number of matters settled up with the architects, and both Mr. Sailer and I felt that very satisfactory progress was made. This did not, however, relate to the Abell matter about which you left me a memorandum.
- (4) We have not had resolutions of appreciate on made for Messrs. Smith and Stevens. The only director for whom we ever passed such a resolution was Mr. Peabody, and my recollection is that the resolution was a personal one rather than an official one. Both you and I have written appreciative letters to Messrs. Smith and Stevens. I wrote on behalf of the Board. It seems to me that we really could not do anything more.
- (5) Progress is being made on the Hamilton matter, and I have no doubt that it will be successfully settled.
- (6) Mr. Case and I had two of the lunches with New York City bank officers and intend to have them every Tuesday and Friday until they are finished. Thus far they have been most satisfactory. To-day Messrs Sailer, Harrison and Kenzel begin weekly lunches for vice presidents of New York City banks, taking

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- PEDERAL RESER
 - (7) I am expecting to get Mr. Horawitz over for lunch early next week, to proceed with the discussion which you initiated with him.
 - (8) Burgess, however, are mailing the annual report to-morrow to Stewart for his consideration.
 - (9) Mr. Reeves has made satisfactory progress with the Second National Bank of Hoboken, has made an examination of the Bay Ridge National, and is working very busily to effect results there but without much cooperation from the directors. A new president has been elected in the Gotham National Bank, Frank L. Norris, former bank examiner. We have not yet arranged with the Comptroller for a conference with regard to the banks reported to him, but hope to do so before very long.

Sincerely yours,

Benj. Strong, Esq., C/o The Breakers, Palm Beach, Florida.



Dear Governor Strong:

A friend of mine sent me a copy of "The New Statesman," from which
I am sending you an interesting page.

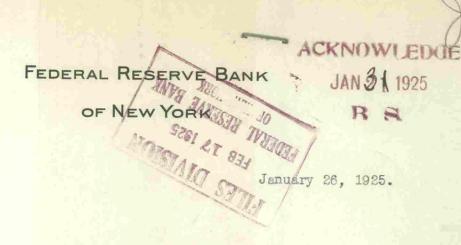
I am glad to say that yesterday Reeves made real progress in the Bay Ridge National situation by getting the existing president to become chairman and by getting them to accept a man suggested by him as president. This new man is an experienced Canadian banker who has been acting as inspector of Latin-American branches for the National City Bank but resigned a few months ago because (it is said) he did not like traveling in the tropics. Chapin was with him all yesterday when he put this through. Reeves is now turning his attention to the Fort Lee situation which, as you know, is a Witham bank.

Sincerely yours,

Pingay

Benj. Strong, Esq., c/o The Breakers, Palm Beach, Fla.

Enc. PJ/VR



Dear Governor Strong:

I was very much obliged for your message regarding the visit of the Deutscher Bank people, and read it to our officers council this morning. As a matter of fact I do not think the subject was discussed at all at our lunch, which was very pleasant and informal and of a purely personal nature.

I am enclosing copy of an article which appeared in the Journal of Commerce this morning. I suppose they refer to the little investment made last summer by the Bank of England. The Federal Reserve System seems to furnish a good deal of copy for the Journal of Commerce, does it not?

Hoping you are having a good rest,

Sincerely yours,

Benj. Strong, Esq., C/o The Breakers, Palm Beach, Florida.

PJ/RAH

OF NEW YORK January 27, 1925.

Dear Governor Strong:

I am afraid there is not very much to say except to thank you for your telegram about the annual report, the status of which is this: Burgess has been in Washington yesterday and to-day and has gone over the whole thing with Stewart and Miller. They have made some suggestions; Stewart of a detailed nature, Miller of a broad nature. Burgess is endeavoring to make little changes here and there which will embody their suggestions and will be here to-morrow to go them over with me. I gather from his that their attitude is not to attempt to dictate about it but merely to make them as suggestions to me. At the same time I shall have your suggestions. Then I think we can get down to a finish on it. I am delighted that you like it in its present form.

Case and I are arranging to be in Washington Saturday morning to talk to the Comptroller about the nineteen banks. In the meantime, good progress is being made in several of the worst of them.

We had Krech, Loasby, Frew and Schaefer in to lunch to-day. Krech was most enthusiastic about the simplicity and restraint shown in the building and they were all very keen about it from every point of view. You have doubtless seen pictures of the new building that Trowbridge and Livingston are preparing for the Equitable Trust Building on the site of the Mills Building; 34 stories.

Harrison, as you know, is in the South for this week, and at our suggestion is planning to drop up to Atlanta on his way back and have a little chat with them about some collection matters which have arisen. He will be back about Wesnesday or Thursday of next week.

Mr. Charles Smith stopped in to-day just to pass the time of day.

I presume that you are getting regular information in regard to maney

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Benj. Strong, Esq.

conditions so I do not mention them.

s so I do not mention them.

We had a letter today from the bank of issue in Poland inquiring we would consider entering into relations with them, and lave cabled the Bank of England to give us some information about the bank.

Sincerely yours,

Benj. Strong, Esq., C/o The Breakers, Palm Beach, Florida.

PJ/RAH

Joy

FEDERAL RESERVE BANK

OF NEW YORK

January 31, 1925.

Dear Governor Strong:

Thanks for your two telegrams received this week. The officers were cautioned regarding discussing the Reichsbank with the Deutsche Bank representatives, but the matter never came up in any way at our lunch, which was very pleasant.

With regard to the report, your fiery telegram showed that the Southern climate was not de-vitalizing you. I hope you won't have any need to adopt the course you suggest. Burgess spent two days with Miller and Stewart and came back on Wednesday with a draft which was slightly changed here and there but, in my opinion, much improved. The only thing they wanted to omit in toto was the last page of our reserve bank policy where we talked about the possibility of a redistribution of gold and about the automatic element which free gold movements would introduce into the exercise of judgment and discretion in determining Federal reserve policy. I am quite ready to have the latter go overboard, but I am thinking about the desirability of retaining the former in some changed or amplified form. I understand that the Board itself is going to discuss the whole subject quite fully in its report. Stewart is inclined to look upon the present export movement as temporary, and thinks we will have a net import for the year. Without attempting to analyze the situation (if indeed it can be analyzed in advance) I am inclined to agree with him. I have not received your comments, although they may have come in this morning to the office. I am working at home. Stewart told Burgess on Tuesday afternoon that we could go ahead and consider the report accepted. Yesterday he said over the telephone that he hesitated to assume this responsibility in view of the unusual nature of our report. He thought

FEDERAL F

that it should be presented in rather a formal way to the Board. We shall, therefore, send it to him in galley proof on Monday or Tuesday. I do not anticipate any trouble.

I have your letter about the visiting bankers, from which I gather that our minutes go forward to you as they are typed and before they are approved.

In our minutes, as we approved them, the reference to lunch was omitted and the figures given by Mr. Barrows were entirely erroneous. If all the country banks should come in, 850 in all, the cost for lunch would be \$850. As to seeking the permission of the Federal Reserve Board in advance, our minutes show that we are all in entire agreement with you. As to telephoning them about it for their information, we are working on a plan for dealing with that aspect of it which I think will avoid any difficulties on either side. We shall not be able to begin our country bank parties until after you come back. In the meantime we are going ahead with the city bank parties, four parties a week. Case and I are taking the presidents and chairmen in groups of four, and Sailer and Kenzel the vice presidents in groups of twelve to fifteen. It will be another fortnight before we are finished. We wanted they wanted the proper to the sail of the sail to the sail the sail to the sail the sai

Case and I were planning to be in Washington to-day to go over the nineteen banks with the Comptroller, but he had to go out of town and sent word that
he would be in New York early next week so we can see him here with Reeves, which
is all the better. Reeves could not get away just at this moment because he is
in the midst of the Bay Ridge situation, which is very bad. In this particular
instance there is no case of delay. He read them the riot act last June and gave
them six months to perform in, submitting him monthly statements. Unfortunately,
their performance was very slight. He is now going to the mat with them. Comptrolled
the have the following the last ago Martin of St. Louis was in, also two directors
of the Dallas Bank. They had all been before the Board with regard to salary

adjustments which the Board had declined to approve. In the case of St. Louis the Board even went one further, and proposed to reduce the governor's salary by \$5,000. Martin gained a very definite impression that General Lord was interested in the operations of the Federal reserve banks and anxious to get his hooks on them with a view to producing more earnings for the Government. Martin also gained the impression that President Coolidge was very sympathetic to this point of view.

At our meeting on Thursday the application of the Bank of Poland to open an account with us came up, and it was thoroughly discussed and approved. During the course of the discussion the "exclusive" question arose and Young made a very interesting point against it, entirely without reference to competition with member banks, that our conditions were entirely different from those of the Bank of England. There they had a homogeneous population and a bank which was an accepted part of their economic life. Here we have a hetrogeneous population and a bank which was distinctly on trial. If we should attempt to get the exclusive agency of the Bank of Poland and there should arise some crisis in Poland in which the Bank of Poland might Seek aid and credit from us which we felt disinclined to grant, it might create a great reaction against us among our Polish inhabitants which would react very badly on us politically. The same thing would be true of the Italians, Hungarians, Russians, etc. Mr. Young, therefore, thought it very desirable that these banks should have other accounts besides ours from whom they could seek credit, so that in case of a referred of credit the entire approbrium might not be cast on us.

At lunch vesterday we had Swenson, Mitchell, Alexander and Reynolds. Case tells me that he was walking afterwards with Mitchell and Alexander and Mitchell again brought up the question of our accounts from foreign banks of issue, and asked Alexander what he thought of it. Alexander said that he was entirely in favor of it as long as they were not exclusive. As we were walking into the Nassau Street banking room Case asked the visitors to stop and read the inscription. Whereupon Mitchell turned to me and said facetiously that he thought we had left out one important element that we were serving; namely, "the foreign banks of issue." That party went off very pleasantly with no discussion of our open market operations. At lunch we asked Mitchell about the prospect for foreign loans during 1925. He went around the circle in Europe and expressed the view that they would not amount to more than \$250,000,000 as he now saw it.

I was glad to learn from your postal that you were doing lots of loafing and not much work. The evidence seems rather conflicting. I asked Miss Small vesterday if she had heard anything from Miss Bleecker. She said, as I remember it, that she had had one letter but that Miss Bleecker did not have much time for writing.

I have said nothing about money conditions as I assume you are getting daily detailed reports on those.

Hoping you are continuing to have a good time, I am,

Faithfully yours,

Pierre Jay
Chairman
Chairman
Chought

Benj. Strong, Esq., up to Date by inh Jusents.

C/o The Breakers,

Palm Beach, Florida.

1 40M 1-24

RAL RESERVE BANK OF NEW YORK

Fed. Res. Bank

SENT BY PJ/RAH

COPY OF TELEGRAM

SEND TO FILES

1925.

Benj. Strong, Esq., C/o The Breakers Palm Beach, Florida

Find Abell's memorandum not mailed Saturday. Stop. Will be ready with definite recommendation for your decision on your return. Stop. Abell already at work on Equitable Trust job so his situation is not pressing.

Pierre Jay

1 40M 1-24

RAL RESERVE BANK

EW YORK

Federal Reserve Bank

SENT BY

PEDERAL RESERVE COPY OF TELEGRAM

SEND TO FILES

February 11, 1925.

Benj. Strong, Esq., C/o The Breakers, Palm Beach, Florida.

Your number 8. No information given Warburg but he himself suggested undesirability of discussing topics relating to sterling and gold and we heartily concurred.

Pierre Jay

igitized for FRASER tp://fraser.stlouisfed.org/ ederal Reserve Bank of St. Louis

THIRTY THREE LIBERTY STREET NEW YORK

MAR 18 1925

RA

March 17, 1925.

Dear Mr. Strong:

Mr. James Byrne has proposed and I have seconded Mr. Owen D. Young for membership in the Century Club. Would you feel inclined to write a letter on his behalf to the committee on admissions?

If so, Mr. Byrne and I would appreciate it greatly.

Sincerely yours,

around !

Benjamin Strong, Esq., 33 Liberty Street, New York.

EDERA

MAR 17 1925 4 55 PM

RECEIVED GOVERNOR'S OFFICE

9

FEDERAL RESERVE BANK

OF NEW YORK

July 3, 1925.

Dear Governor Strong:

Burgess and I have just returned from three days in Chicago discussing bank and public relations work with the Chicago, Kansas City and St. Louis banks. Wills could not come, but I spent four hours with him in Cleveland Sunday morning on the way out. Chicago has been doing some excellent bank relations work and has the framework all started for a general programme of educational work by the member banks, each in its own community. St. Louis is fairly well organized, but Kansas City is poorly organized with only two men to travel that vast district, and these two are under some assistant cashier who does not give them much supervision. I will send you a copy of the minutes of the meeting in a few days which will tell its own story, and therefore, will not go into any details here except to say that Traylor is going to make a speech before the Montana Bankers Association in about ten days and has agreed to talk about the value of the British return to gold and our participation in it, and the Chicago bank is going to try to get wide circulation for his speech by way of quotations in the papers.

I had a bully talk with Traylor. He gave me a copy of an interview that he had granted to a friend of his on some St. Louis monthly paper which was to have come out in June, but he said that the piece was not used in the June issue and that we might use it in any way we like. We are now cooperating with the Chicago bank to see how best to get some publicity on it. I send you a copy herewith.

Inasmuch as I believe it was Traylor who largely inspired the A. B. A. resolution of last September, this statement of his is most encouraging. I think that now he is 100 per cent. with us and ready to be as helpful as possible in the way of telling people what the System is really trying to do.

I also had a talk with George Reynolds who has recently been out in Iowa and made a vigorous and frank talk on Federal reserve matters to the Iowa bankers, of whom about 800 were present. He talked without notes so his speech is lost, but evidently he talked right from the shoulder and got a splendid reaction. Incidentally he is very enthusiastic about the prospects for the corn crop in Iowa, as the condition is not only very good but it is from two to three weeks earlier than last year's crop, and if no mishaps occur this means that this ought to mature before the frost can get it. A good corn crop at good prices would solve many difficulties in Iowa and other mid-Western states.

I also had a good talk with John J. Mitchell who was most friendly. I asked all of these three if there had been any criticism of the Bank of England matter. They said that there had not except that there had been some talk in the papers about our not having gotten a commission the same as the banks did on the Morgan credit. I explained the reasons, also said a word to each along the line of the importance to Great Britain of having the Federal Reserve System linked up with the operation, which they seemed fully to appreciate.

Burgess and I were both enthusiastic about the time we spent in Chicago, and feel that we should do more travelling about at the earliest opportunity.

McClure invited us to have a meeting of our relations committee in Kansas City in September if it can be arranged, and we are planning to try to do so.

With respect to the Ayres idea in regard to the charter matter, I discussed this fully with Wills, McDougal, Heath, and yesterday with Owen Young. All seemed to be enthusiastically for it.

Heath was at the opening of the St. Louis reserve bank the other day. As you know the St. Louis Bankers Club gave a big party and invited in all the bankers. About 300 to 400 came. In the afternoon they were taken on a boat on the river to the Jefferson barracks. During this boat trip Governor crissinger was asked to address them and, incidentally, spoke of the Bank of England transaction. Heath (I

seemed to be a little on the defensive and did not seem exactly clear as to why it was legal or just how it would be used.

Crowder has written Snyder that he intends to write a couple of articles for Collier's on the Federal Reserve System, and wants to talk the subject over with him soon.

This morning Assistant Professor Beckhart of Columbia (formerly in our statistical department) is spending some hours with Burgess talking over a review he has prepared and is about to public concerning Federal reserve policy in 1924. It was a very poor and superficial article. Burgess, who now has him out to lunch, tells me that Beckhart is very sympathetic to our pointing out its defects, and we hope that we shall get something sound out of it.

Incidentally, I learned from McClure that the Kansas City Bank supplies lunch free to all its employes. They did this by adding \$100 worth of tickets to the salary of each employe. This, at the rate of, say, thirty to thirty-five cents a meal, just about works out even. All employes are required to lunch in the building.

Case is leaving to-day for his vacation which, as you know, is going to be interrupted by a week's trip to St. Paul with McLaughlin to attend the State Bank Supervisers' meeting at the end of July. Case is going to make them a speech.

I understand that someone is sending you Willis's article and the WhaleyEaton article on your European trip. They tell me that none of the other papers have
mentioned it at all. Case told me that in discussing the Willis article with the
newspaper men the other day one of them volunteered that it was rumored that there
were some changes in prospect at the Journal of Commerce office.

Our directors' meeting yesterday was a very quiet affair.

These seem to be about all the things I can think of outside of the routine letter which I understand Burgess will be writing you to-day.

You may be interested to know that during this past week we have had four

out-of-town bank directors in, out of our 6,000 or 7,000 invitations sent out, so the Officers' Council have authorized the mailing of the other 2,000 or 3,000 invitations.

> Hoping you and Stewart are having a fine trip, I am, Faithfully yours,

> > l'einfay

Benj. Strong, Esq., C/o Bank of England, London, E. C., England.

enc.

P.S. Sailes Mowed one his letter re Herrois report. Herron presented it yesterday with the remark that there was sumply nothing for him to day or criticise.

OUTGOING CABLEGRAM

July 7, 1925

Bank of England
London

#20 STRICTLY CONFIDENTIAL FOR GOVERNOR STRONG
Referring to my letter of June 29th Wills, Heath, McDougal,
Harrison and Owen Young all favor idea provided assumption
is correct that recharter will be up for consideration
next winter stop Idea has not yet been discussed with
others.

Jay

FEDERAL RESERVE BANK OF NEW YORK

July 10, 1925.

Dear Governor Strong:

Federal Reserve Bank of St. Louis

I am ever so much obliged for your prompt cable reply received yesterday to my letter about the A. B. A. and the re-charter question. I am glad you like the idea of charter renewal without amendment, and apparently the only difference between us is the question of the imminency of the agitation for charter renewal. That, of course, is a question which it is difficult to ascertain in advance of the assembling of Congress. I am in complete agreement with the policy indicated in the last paragraph of your cable about consulting the legislative committee and about our assuming no responsibility in the New York Bank. As a matter of fact we have discussed the matter only with the people whose names I wired you pending receipt of your views. Yesterday afternoon Burgess, Harrison, Owen Young and I spent half an hour discussing the situation in the light of your cable. Harrison and I are expecting to be in Mashington on Wednesday, July 15, and will discuss the idea with Crissinger and with Seay if we can get him to come over. Seay can then discuss it with his committee if he so desires. We thought also it might be well for him to sound Glass upon it.

It seems to me that the idea is a valuable one for the A. B. A. to enunciate whether or not they decide to ask for action at the coming session of Congress. I think you will agree to this. Young feels that the coming session of Congress will probably be the most favorable opportunity we shall ever have for bringing the charter matter up. He bases this on the generally conservative nature of the incoming Congress, but more particularly on the conservative state of mind of the country at present which he thinks may not last very long.

Nature is helping greatly. Roy Young says conditions in Montana are

Iowa with the crop from two to three weeks earlier than last year's crop. I am sending you some clippings from this morning's Times which deal with this situation. Of course, these prospects may all vanish in the next few weeks if we have bad weather. One of the clippings I send you indicates a possible change in attitude on the part of Brookhart. As you know LaFollette and Ladd have both died. McFadden's little episode has at least kept him from making his string of speeches before banking associations. The breaks seem to be coming our way if we do not make any ourselves. I am glad to say that the talk about the A.P.C. matter seems to have died down, at least as far as the papers go.

Traylor, from being our ardent critic at the A. B. A. convention last September, has become an ardent supporter. I sent you a copy of his article for the St. Louis magazine which is soon to appear. I am asking Dr. Burgess to send you under separate cover, as I am writing from my house, copy of the speech Traylor will make to-morrow at the Montana Bankers Association. Burgess prepared pages 5, 6 and 7, for him while we were in Chicago. If we can get Chicago and the West praising us and New York knocking us we are certainly sitting pretty. Traylor is ready to fly at it with heavy gloves, light gloves, or bare fists any time.

Willis has just written a most disgusting article in Burroughs Magazine which is so full of half-truths, *********** misstatements, and general mental crookedness that when you get over being mad about it you can't help feeling pleased that he has written it. From somewhere if we have success there will be a good sharp reply.

Now I can see that I have drifted from the re-charter matter into the byways, and I want to come back to it before closing. There really isn't much

more to say at the moment except that we shall endeavor to institute some judi-

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July 20, when Ayres and Lichtenstein are to meet with Woollen in Indianapolic to present their preliminary report.

Faithfully yours,

Premisay -

Eenj. Strong, Esq., C/o Eank of England, London, E. C., England.

OF NEW YORK

July 17, 1925.

Dear Governor Strong;

I have received your two letters of July 6 and 7, one written longhand from the boat and the other typewritten, the first giving something of your itinerary and the second asking us to take on an additional "little bit of work." We will take it on all right but your definition of it does not do credit to your usual accuracy.

In the earlier letter you say that your visit to Berlin "will be quiet, no fuss nor publicity (we hope)." Burgess has probably written you telling you about the publicity which came out here, through Berlin with regard to your trip. It is quite obvious that you can't travel without publicity, and Burgess and I both blame ourselves for not having realized this and urged you to deal with the situation before you left.

Burgess is writing you about the subject of our recent cables regarding rate discussion, etc. I am only writing a few lines to tell you a little more of the progress of the A. B. A. report matter. I went to Washington Wednesday to talk with Governors Crissinger and Seay on this subject. Sprague and Harrison also were present. The first two agreed with you and Stewart that the subject of re-charter is not absolutely imminent and that we will be in a better position to deal with it three or four years hence from the System point of view. Sprague, on the other hand, is very strongly impressed with the desirability of dealing with it this coming winter. Harrison also leads somewhat to this view, starting, however, from the other premise. As a result of it all I have transmitted these various views to Col. Ayres for his own information, and Burgess has sent him the enclosed draft of a possible report or minute to

be adopted by the A. B. A. at its convention in September.

The second

I understand Ayres is going to have a meeting with Woollen and Lichtenstein on Monday to discuss the whole subject. I made it perfectly clear to Col. Ayres that this is his idea and this is the A. B. A. responsibility, not ours, and have suggested to him that he give full recognition to their responsibility and that they should take advice as to their course from people experienced in legislative matters like Glass and others.

with regard to paragraph 7, page 3 of your letter of July 7, I am enclosing, if it can be gotten in time, an article in the Tribune which recently appeared on this subject. Young has a very high opinion of Auld who was chief accountant of the Reparations Commission for several years, was detailed by Young to set up the Agent General's accounting system and organization last September, and is now a partner of Haskins and Sells. I have not read the article myself, but heard Young speak of it in very high terms a few days ago.

Peple is coming over from Richmond next week to spend ten days or so helping us on some of the educational work.

Hoping that all goes well with you, your health, and your party,

Faithfully yours,

Pierre Ja

Benj. Strong, Esq., C/o Bank of England, London, E. C., England.

FEDERAL RESERVE BANK

OF NEW YORK

July 28, 1925. P.M -

Dear Governor Strong:

Your telegram from Brussels has just arrived and is being de-coded. Sailer and I have read enough of it to justify our telling Miss French not to work overtime on it because she was down with some of her assistants until nine o'clock last night getting off our cablegram to you. From what we haveread of your incoming cable it is apparent that you have attached more importance than we had anticipated to my cable inquiring about the possibility of a rate reduction in London. There has, of course, been considerable discussion of it in the papers but a talk that Kenzel had recently with Mr. Duis of the City Bank made us feel that we should cable you what he reported and ask what your views were on the subject. I do not think I need to repeat anything we said in yesterday's cable as we tried to cover the situation pretty fully.

I understand that Harrison wrote you to-day but do not know what he wrote you about as he left a bit early.

This is to acknowledge your letter of July 11 written from Berlin, giving an account of your trip there and your various interviews with Schacht, Gilbert et al. If the papers had reported only the substance of what you and Norman gave out everything would have been all right but, of course, as you have seen from the clippings here, the German papers as well as ours have been full of all kinds of surmises.

Mr. Ochs of the Times was in here a fortnight ago to look around the building with a party. He said among other things, "We are all very anxious to know what Governor Strong is doing in Berlin."

You must have been hitting a great many high spots so far, and we shall look forward with great interest to your account of them which we understand from your cable has just been mailed.

There is not a great deal to say in the bank. The work on Harrison's investigation skeleton is getting under way and we are trying to formulate our public relations work, but with great difficulty owing to the vacation period. We are not trying any article on the Bank of England matter other than Traylor's because we are waiting to see whether this gets any notice in the agricultural papers. Winston has said he would try his hand at something on the fiscal agency work.

Seay has just sent me copy of a speech he made which seems to go into the question of the McFadden bill, contrary to an understanding which I understood you had with the members of your committee. I am enclosing a copy of it.

Regretting that I do not seem to find more of interest to write you, I am, with best regards,

Sincerely yours,

all well here

Perifay -

P. S. Thus far we have had fourteen country bank directors visit us in five or six weeks, an average of about one half a day. So that danger is not menacing at present.

Benj. Strong, Esq., C/o Bank of England, London, E.C., England.

PJ/RAH

FEDERAL RESERVE BANK OF NEW YORK

July 31, 1925.

Mr. Benj. Strong, c/o Bank of England, London, E. C., England.

Dear Governor Strong:

Burgess and I spent a morning at home talking over and trying to plan out some work of an educational nature. We are working along a number of different lines, one of which I want to mention to you. It is a good deal easier to get newspaper notices about what some important individual says than about an article. The subject we have particularly in mind is the Federal reserve bank credit to the Bank of England. It has occurred to us that if a number of people from different parts of the country who are now abroad should on returning include in the statements they often give out regarding their trip, something about the British return to gold and our assistance in it, such statements might be quite widely quoted within a radius of a few hundred miles of their home town. Very likely you will run across some such people on the other side, and might suggest this idea to them if you think well of it. I am hoping possibly Mr. McGarrah may say something upon his return as this would receive quite wide publicity on account of his being a director of the Reichbank. If you see him again, perhaps you would discuss it with him.

what will come out of it. Sometime about the middle of August, Ayres and Lichtenstein are going to meet with Woolen and talk the whole matter over. In the meantime, Ayres tells me that Lichtenstein has written out a long discursive report discussing our policies and amendments, etc., and generally pussyfooting on everything. I enclose copy of Colonel Ayres' suggested draft of a report together with the alternative one which we prepared here in the bank through consultation with Young, first in the form of asking Congress for prompt action, and second in the form of asking Congress when the time came for considering recharter to omit amendments. It was this latter form which we suggested to Ayres after Crissinger, Seay and ourselves had suggested the inadvisability of asking for action this winter. I am also enclosing copy of my letter to Colonel Ayres in regard to our attitude toward this whole matter.

Do you happen to know anyone or any library that has a large collection of the substitute money used in different parts of the country in 1907. If so, would you please send me the name of the party or library.

I am going on my vacation tomorrow afternoon, Saturday, August 1, and expect to be back in the bank on Thursday, September 3. Case returns Monday morning, August 3. There is nothing special for me to talk over with

him that Sailer could not do as well, and I find it suits my plans much better to go two or three days earlier and return a bit earlier.

I am going to receive copies of all the letters written to you together with some of the data which you receive, so that I shall keep in pretty close touch with the bank's work.

I heard from an A. B. A. man who was out at the bank supervisors convention that Case's speech and presence there made a great hit with the supervisors.

I have today received your cablegram after talking with McGarrah and am very much obliged for it. I am going to talk with the president of the New York State Bankers Association about the composition of the committee tomorrow morning.

Sincerely yours,

Pienthy

P. S. I am working at home today and find that I have not got all of the data regarding the A. B. A. report on recharter, but Dr. Burgess will enclose in his letter to you what I have not got here.

Encs.

New York, Sept. 9, 1925.

Benjamin Strong,

Steamship Olympic.

No. 21 (test) Further conversations indicate desirability you make no statement to steamer reporters but explaining that you are reserving it for Wall Street reporters including Associated and United Press. Think this presents excellent opportunity for country-wide explanation of reasons and advantages of System's maintaining relations with foreign banks. Suggest you make some notes on shipboard to facilitate preparation of about four hundred word interview same day you land.

Pierre Jay

Reply to above -

Olympic Sept. 10, 1925

Federal Reserve Bank,

New York.

No. 16 (test) Mr. Jay Will follow your suggestion Wire briefly particular points to be covered.

Strong.

see re

Received September 13, 1925

Ben jamin Strong,

S. S. Olympic.

23 (test o.k.)

Following are merely some thoughts for your consideration without attempting appropriate arrangement. Suggest that introduction of some personal incidents would add greatly.

ONE

Remarkable recovery of European credit and currency.

systems since post war disorganization

TWO

Gold resumption by Great Britain and Holland

pivotal points toward recovery.

THREE

Banks of Issue charged with responsibility for credit and currency conditions particularly when return to or toward gold, since foreign banks of issue established relationships with Federal Reserve Bank New York and through it with other eleven banks.

Transactions mainly in gold

and bills.

FOUR

Interrelation of other banks of issue.

FIVE

Value to us and more intelligent reserve banks cooperation resulting from interchange of personal visits between central banks especially from information concerning international movements of gold and credit which effect us and our commerce.

SIX

Stability in foreign countries vital to world trade and

American foreign trade in competition.

all your letters This' M aught 4th relating to directs. the Hautain The batch fletters jo avoie -2 B = and your later letter after seemile melarrah on subject of the valeauer in C A Directorship. I left this in the hands of get e, theiring that nothing would come up in my observes; but it seems to Wac come up, & I have been the is cable he soult you about mutchell The Spa batch come

hour before I left for Canada

and I had to go off without reading Them , it was nearly a week before the copies reached me. the one about Schacht is a remarkable Document. I did not see a fred deal of Schacht & his vainty did not atiche me particulaily but all the his other characteris. Ties which you mention I notes with pleasure. He seems to me The when for the place at this time and as to the Directorium being against him, that is all in his Havor. They seemed to me to be the quintenence of bureaucra - all boutine o precedent, o no imagination for the new order In als interested to see that you were imprened with the Califore of the men - of various nations - selectes to carryout the Dawes programme. They struck

me as quite remarkable.
Brugers writes me he
has sent quitte propinites relating to fold wowenests, for which of the memoranoum has not reached me, nor a copy of your letter in which you asked I me for Jone views for the subject. I'm with for to the but they don't seem The batch of Apra die. tation about interviews ofrobleur o personalities has also reached me. I didn't take to thesemann, either Luther, then Finance minte, Jorly saw once, but he alemed i straight forward fellow, not understanding English very well, but well know to know

Digitized for FRASER

http://fraser.stlouisfed.org/ Federal Reserve Bank of St. Lobolhether the interfreter was felling

his meaning across. I was farticularly in terestos in troughtons views with regard to possible readjustment of The British debt to al "most for love) notion "basis, having freat bym. pathy with that when myrely. we should doubter fair fath prestige abroad if we should m. untarily propose a readjust. went at the properties. It would take a post deal of the String out of other whole dept point of view. and as it would include Poland, Truland. hating a lot of other little nations, in addition to England it would not be, from the conpersonne point of new, a con-errior to kry land alone . It might lead tola "prodyal son low feart. Hunk of the effect

produced by our fiving up Box de Inderior A PIC. P.Q. !
CANADA !! The one question pu raise which neld aus weing, besides the Renten bank mattel concerning stuck Care has written you is that relating to our functions of some mail bills from the Reichs bout thone They request it . The industrial crisis you predict wouldn't offect un willingness to buy some, but I should like to dwart the decreity pact, which the newsbefore report as propremings I should want to have some fort arrusues to the Rok. of no objection etc. as to the political effect at home Ithink buying Lome bills without com.

witwent to keep the purchases revolving is entriely different from the 2 yr. credit to to Bogs It is the time clement that has around whatever there is . Such a punchase of wach bills would react fa. Vorably on fentiment re. the B. of L. credit, indicating that the It the natural Kind of Thing. for an inne banks to do for one another, and laking bonne of the livelight of the Boff-transaction. I come the Hate Deft. should be consulted, and Inothing from their comment to milabele ve a new Czechoslowk loan, they might stjeet.

I afhortage of Devisen due to the question deliveres in Kind or recovery acts it seems to me that these

we are lating canada with our bills 8 om endorser, and as long as me Commitment. It seems to me that as about of issue we should not tie ourselves up in long time Commitments about, when we wont do it at home, unless, as in the B. JE. matter, the sitnation, in our own interest, demands it. filbert is alive to the Dik. situation, Joursay, and he is not fiving lary private priorties to long time lenders to fermany; and the Dawes plan brittees with warnings that the Transfer committee mustick break down the ferman exchange. my feeling is

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http://fraser.stlouisfed.org/ Federal Reserve Bank of St. Louis that the 1. C. is the mayinal exporter of funds. In the words They wile haur to let normal transactions, which much will willy so through take welcome thusactions of the V.C. Otherwise the T.C. of it competes moduly with private transactions, will defren the exchanges & fly contrary to its charter well loughoud is bas to write o bas Ho read , especially has to alterupt on a vacation so the grut till I fit back to a Sterlepapher again which should be on Geft 32. Very glad jours again, I'me its' hundise, and it could and be done without publicity

sling.

August 20th [1925]

Dear Ben,

I have now seen copies of all your letters thru that of August 4th relating to discussions with Hautain. In particular, this is to acknowledge the batch of letters you wrote me from Spa around July 19 - 23d and your later letter after seeing McGarrah on the subject of the vacancy in Class A directorship. I left this matter in the hands of J. H. C[ase], thinking that nothing would come up in my absence; but it seems to have come up, and I have seen the cable he sent you about Mitchell vs. Frew.

The Spa batch came about an hour before I left for Canada, and I had to go off without reading them, and it was nearly a week before the copies reached me. The one about Schacht is a remarkable document. I did not see a great deal of Schacht and his vanity did not strike me particularly; but his other characteristics which you mention I noted with pleasure. He seems to me the man for the place at this time, and as to the Directorium being against him, that is all in his favor. They seemed to me to be the quintessence of bureaucracy -- all routine and precedent, and no imagination for the new order of things.

I'm also interested to see that you were impressed with the calibre of the men -- of various nations -- selected to carry out the Dawes programme. They struck me as quite remarkable.

Burgess writes me he has sent you the figures relating to gold movements, for which you wrote from London. The copy of the memorandum has not reached me, nor a copy of your letter in which you asked me for some views on the subject. I've written for both, but they don't seem to come.

The batch of Spa dictation about interviews and problems and personalities has also reached me. I didn't take to Stresemann, either. Luther, then Finance Minister, I only saw once, but he seemed a straightforward fellow, not understanding English very well, but well enough to know whether the interpreter was getting his meaning across.

I was particularly interested in Houghton's views with regard to possible readjustment of the British debt to a "most favored nation" basis, having great sympathy with that view myself. We should doubtless gain great prestige abroad if we should voluntarily propose a readjustment at the proper time. It would take a good deal of the sting out of our whole debt programme from the European point of view. And as it would include Poland, Finland, Latvia, and a lot of other little nations which have already settled, in addition to England, it would not be, from the Congressional point of view, a concession to England alone. It might lead to a "prodigal son" love feast. Think of the effect produced by our giving up some five or six millions of Boxer Indemnity!

The one question you raise which needs answering, besides the Rentenbank matter concerning which Case has written you, is that relating to our purchase of some mark bills from the Reichsbank should they request it. The industrial crisis you predict wouldn't affect my willingness to buy some, but I should like to await

3.79.6

the security pact, which the newspapers report as progressing, and I should want to have some Government assurance to the Reichsbank of no objection, etc. As to the political effect at home, I think buying some bills without commitment to keep the purchases revolving, is entirely different from the two-year credit to the B[ank] of E[ngland]. It is the time element that has aroused whatever opposition there is. Such a moderate purchase of mark bills would react favorably on sentiment re the B. of E. credit, indicating that this is the natural kind of thing for issue banks to do for one another, and taking some of the limelight off the B. of E. transaction. Of course, the State Department should be consulted, and judging from their comment to Mitchell re a new Czechoslovak loan, they might object.

Now as to the question of a shortage of devisen due to deliveries in kind and recovery acts, it seems to me that these are really the problem of the Germans, not our problem as long as we are satisfied with our bills and our endorser, and as long as we are not engaged in a long time commitment. It seems to me that as a bank of issue we should not tie ourselves up in long time commitments abroad, when we won't do it at home, unless, as in the B. of E. matter, the situation, in our own interest, demands it.

Gilbert is alive to the d.i.k. (2) situation, you say; and he is not giving any private priorities to long time lenders to Germany; and the Dawes Plan bristles with warnings that the Transfer Committee mustn't break down the German exchange. My feeling is that the T. C. is the marginal exporter of funds. In other words, they will have to let normal transactions, which must willy nilly go through, take precedence over transactions of the T. C. Otherwise the T. C., if it competes unduly with private transactions, will depress the exchanges and fly contrary to its charter of existence.

Well, longhand is hard to write and bad to read and especially bad to attempt on a vacation. So I'll quit till I get back to a stenographer again which should be on Sept. 3d. Very glad you're against a meeting of issue banks. I'm sure its unwise just now, and it could not be done without publicity.

I'm glad you had a good time in Biarritz. This is a fine place for a vacation.

Yrs.,

P. J.

[Pierre Jay]

CLASS OF SERVICE		SYMBOL
TELE	GRAM	
DA.	TTTER	BLUE
1.	MESSAGE	NITE
N.	LETTER	NL
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If none of these three symbols appears after the check (number of words) this is a telegram. Otherwise its character is indicated by the bol appearing after the check.

WESTERN

13	CLASS OF SERVICE	SYMBI
	TELEGRAM	
	DAY LETTER	BLUE
	NIGHT MESSAGE	NITE
	NIGHT LETTER	NL
177		

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

NEWCOMB CARLTON, PRESIDENT

The filing time as shown in the date line on full rate telegrams and day letters, and the time of receipt at destination as shown on all messages, is STANDARD TIME. 1925 NOV 22 AM 4 05 Received at 427 So. La Salle St., Chicago, Ill. Telephone, Wabash 4321.

ND160 31 NL

NEWYORK NY 21

BENJ STRONG

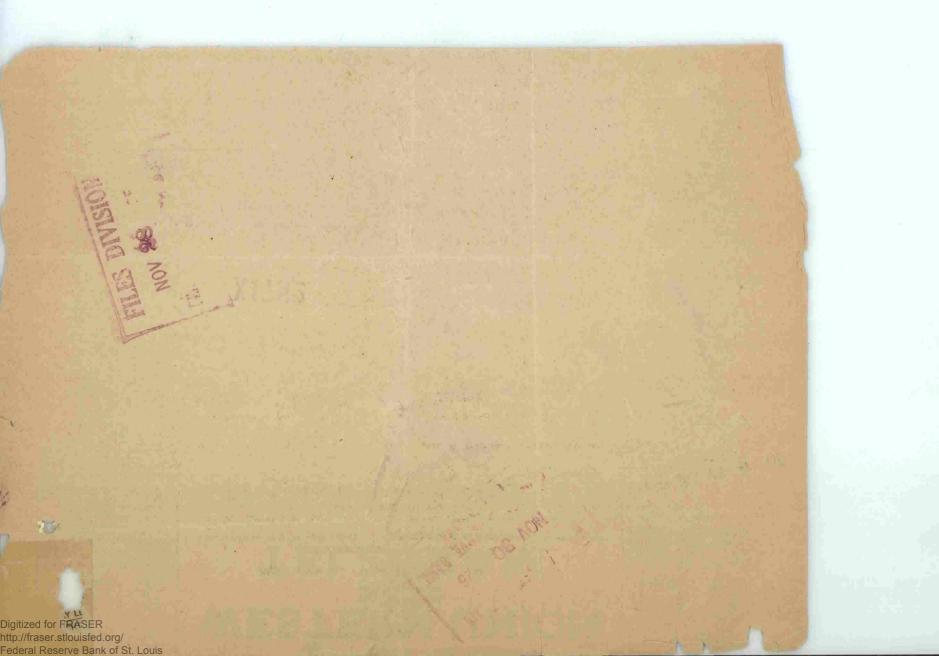
BLACKSTONE HOTEL CHICAGO ILL

NOTHING FROM ANDERSON TODAY STOP DEFFINGWELL RECEIVING LONG MESSAGE FROM

LONDON THIS EVENING NOT YET COMPLETED STOP WILL WIRE YOU OUTLINE OF

IN MORNING STOP BELGIANS LUNCHING IN PRINCETON SUNDAY

P JAY.



FEDERAL RESERVE BANK OF NEW YORK 1150

April 19,

FICE CORRESPONDENCE

Title .						
To	Governor	Strong		SUBJECT:_		
	L. N. F.					
FROM_	Mr. Jay					

Referring to your memorandum of April 15 regarding the engagement of a private sitting room to be used by your party in order that during the trip you and your associates may work over the material which has been assembled in connection with the questionnaire submitted by the Indian Currency Commission, I feel that a private room is essential for this purpose. The public rooms on a steamer are noisy. The only quiet one is the library where conversation is forbidden. Even if the studies you are making were not private you would not find any satisfactory place in the public rooms in which a group could work together.

With regard to the suggestion that you should absorb the expense of the sitting room I believe that as the sitting room is necessary it would be wrong in principle for you to absorb the cost of it.

Following Miss Bleecker's oral inquiry about this matter last week
I spoke to the officers council on Saturday and they were unanimous in feeling
that the sitting room was a necessary part of the expense of the trip your
party is making.

Put in the please

ized for FRASER //fraser.stlouisfed.org/ eral Reserve Bank of St. Louis

Personal

THIRTY THREE LIBERTY STREET May 21 5- 1926

NEW YORK Dear for. Strong.
I am writing powloughand, + I hope therefore briefly, on two matters. 1. hr. cases offer from hir filtect. Towhar been kept fortes by hir. Har. mon in regard to this and I have little to add except that him. Case feels some reser vation in cutting boose, owing to the fact that he has not get accumulated enough to make fet another job on returning from ferman He has discurred the mivitation with severale gour mutual frents in hew Josh and two of them have emphasized the fact that to ac-cept was to gamble with the future. On the other hand the prospect of the adventure ap-peals to him greatly. after the director's meet-ing yesterday the directors stopped in my room or how. Care told them of the open and inquired whether, if it should be agreeable to you, they would think it practicable to grant him a Jeans leave of absence. Towns affroached it from the point of view of booking an officer of this bank on the Transfer Com. which was likely to be an international storm centre and felt that this would be undesirable her holds took the fround that it would be a bis and wantair on the banks organization to have an

greation of health - all the others expressed adverse opinions, san Sanders. Mr. Care was present throughout. He hopes to have a touch with Joung and pechaps one or two others, but is really bailing for a letter from you before definitely reaching a decision. In the meantime I have not brought up the question of a redistribution bringing Rounds and filback more into the frictule thinking that this had better wait till case has made up his mind. Harrison claims to be feeling final.

2. The FR. Board situation. Harrison and I have had several talks with alexander, and on monday of this week wetwore spent the day with us talking one the entire situation that of course, we did not tell him of your position in the matter. He was to washington due day, and yesterday The Council had an executive admin together at the was flower. Doday They have been meeting with the Board. Dalexander or wexmos profored to call together on the Jecretary odis. curs the situation I feet very encouraged by wetworks attitude, & believe his visit to us was worth while. We shall have a report on monday. I hope. 3. Hendrichs plan. This has pot get enaturalized, but he still feels it will to throughwith best regards, Finerelyzous

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Federal Reserve Bank of St. Louis

FEDERAL RESERVE BANK

OF NEW YORK

May 21, 1926.

Dear Governor Strong;

This is to acknowledge your two letters of May 2 and M ay 9 together with enclosures. The news they contained regarding the Indian currency matter was most interesting, confirming the bare facts of which you had already advised us by cable. Your letter of May 9 was read to the directors yesterday and they all expressed appreciation of the opportunity to learn something of the atmosphere of the inquiry. Best of all was the news that you were really feeling better, and the fact that instead of going directly to Paris to your holiday you were going to Italy seemed to us a proof that you must be feeling better. Whatever you may see or do over there will be of interest to the officers and directors, but they are far more interested in having you come back feeling well and refreshed. I cannot emphasize this too strongly. I know that their feeling is unanimous.

Harrison and Burgess write you so fully about matters in which you are interested that I do not know that there is very much for me to add. I think perhaps the most interesting development in the past few weeks is the increase of commercial loans in the reporting banks. Whether or not this means good business or merely a slowing up and an accumulation of inventories it is impossible to say.

The enclosed clipping containing a statement by J. J. Mitchell may be of interest. Meredith of the Bank of Montreal was in here last week and said that their commercial loans had gone up about \$35,000,000 in the past few weeks and that with them this was a sign of decidedly increased business in Canada. The other clipping enclosed from the Journal of Commerce indicates, in the portion marked in blue, that the prospects of the McFadden bill are improving. Harrison

"cerufaz

tells me, and possibly may have written you, that Wingo is away and that in the appointment of a conference committee which is to take place to-day or tomorrow some other Democrat possibly less antagonistic to branch banking will probably have to take Wingo's place.

Outside of the matters which I know Harrison and Burgess are writing about I cannot think of anything else to say except that everyone here seems to be well and on the job.

Sincerely yours,

Benj. Strong, Esq., C/o Bank of England, London, England.

PJ/RAH

Purovalling FEDERAL RESERVE BANK

May 28, 1926.

Dear Governor:

At our directors' lunch yesterday, Mr. Alexander came over and gave us a very graphic picture of the meeting of the Federal Advisory Council held last week, which I will try to pass on to you.

Every member of the Council was in attendance. They met at the Mayflower Hotel on Thursday, May 20, and got fairly well acquainted with one another. There are six new members this year. Then for supper they went to Mr. Miller's house, where all members of the Board were present except Secretary Mellon. After supper Mr. Miller was showing Mr. Alexander some of his books and Mr. Alexander asked him what the program was for the evening, to which Mr. Miller replied that he had thought of asking Mr. Alexander to speak on the foreign situation. Mr. Alexander replied that he really had nothing new to contribute on that subject, but that there was a topic on the Board's program for tomorrow's meeting which, if discussed formally, might take several days, but which, if they all sat around informally at his house, might possibly be disposed of during the evening; this topic was "The Place of Call Loans in the Financial Structure." Mr. Miller thought this was a good idea, so they all went at it.

Mr. Miller presented the view with which we are familiar, - that some regulation should be prepared which would prevent Federal reserve funds from getting into use in the speculative markets. Mr. Alexander replied that he would be glad to come down and help the Board to the very best of his ability to frame such a regulation, and then if the Board would give him a week's time, he would go home and arrange his affairs in such a way as to beat it; in other words, he could do it by regulation. Mr. Alexander said that when he was 20 years old, he could

repeat the National Bank Act word for word, but that now he had not any idea of what was in it, except that he knew that the Comptroller had much more drastic power and authority over the National banks than the Federal Reserve Board had over member banks; indeed, it was quite amazing that Congress had thought it wise to give to one man such immense authority over banking institutions. He said that the Comptroller did not operate by regulations but by influence; when the Comptroller had anything to criticise in the Bank of Commerce and the Bank did not agree with the criticism, they would sit down and talk it out together, and if the Bank of Commerce was unable to convince the Comptroller that he was wrong, they would, of course, have to accept the Comptroller's view. He said that the method the Board was suggesting, of attempting to put the banks of the country into the straight-jacket of a regulation just because a few instances happened which the Board thought unfortunate, was the wrong way of making progress. He said that in his opinion, the banks in New York did not know what the Reserve bank's policy was in regard to lending money on call, and that perhaps one reason for this was that the Reserve bank did not know what the Reserve Board's policy was. He said that in his opinion, the way to accomplish results was for the Reserve Board and the Reserve banks to get together and agree upon a policy, and then the Reserve banks through their contacts with member banks (which he thought should be closer than now) could pass on their views to the member banks when any occasion for expressing these views arose.

I should have said the discussion opened by Mr. Alexander's asking the Board whether they regarded the Stock Exchange and stock exchange loans as something vicious which the Reserve System would use its efforts to do away with, or whether they regarded the Exchange and stock exchange loans as an essential part of our financial machinery. The Board took the latter point of view, to which Mr. Alexander replied that he was glad they did because if the Reserve System should undertake to prevent member banks from extending credit on stock exchange transactions, it would

break up the System in about a week.

Mr. Alexander said that they discussed this general question for nearly three hours, not leaving until after 11:30. He said that at the close both Governor Crissinger and Mr. Hamlin came up to him and said that they appreciated very much his full and frank discussion and the way he had handled the whole matter, because they thought it had been a very good thing for Mr. Miller! Just before he left the house, Mr. Miller drew him aside and said he wished to thank him for the very full and frank discussion that they had had because he, Mr. Miller, was sure it had been a good education for his colleagues!

The following day the Council met formally with the Board from 10 to 6, and discussed the various questions, including those which the Board had placed on the program for discussion.

One of these, as I have indicated, asked the view of the Council as to the place of call loans in our financial structure. To this the Council had prepared a very brief reply, saying that call loans constituted a valuable secondary reserve for banks. Mr. Miller asked if the Council would not be willing to add to this reply some such wording as the following: "To be availed of promptly to pay indebtedness to Federal reserve banks." Mr. Alexander said he observed some inclination on the part of some of the Council members to want to accede to this suggestion, and that he at once took issue with Mr. Miller on the subject along this line; he said he thought it was a mistake for the Board to attempt to indicate what reserves should be used to pay indebtedness to the Federal reserve bank. If they were going to make such an indication, would they propose to segregate some other kind of reserve to pay their deposits, and another kind of reserve to use in increasing their commercial loans, and still another kind of reserve from which they would pay their operating expenses? Mr. Alexander said that he would propose an alternative wording to Mr. Miller's suggestion. He said that in the past the Board had on occasions made statements indicating that the banks should endeavor to call in their slow loans; therefore he, Mr. Alexander, would suggest this formula:

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"Whenever a member bank is indebted to the Federal reserve bank and at the same time has money loaned on call, the member bank before calling its stock exchange loans, should first make every effort to call in its slow loans in order thereby to strengthen the banking situation." He said that this caused a general laugh and the subject was thereupon dropped.

Another question which the Board had put to the Council was "What course should the Federal reserve banks pursue with regard to discount rates, open market policy, etc., in case a business depression should set in?" Mr. Alexander said that there was some desultory discussion of this by the Board members, following which Mr. Alexander said that they did not seem to be getting anywhere, and that as this question presumably arose out of current consideration which the Board was giving to this very topic, perhaps more progress could be made if the Board would state what its views were upon the subject. Upon this, Mr. Platt replied that the Board was not there to be questioned by the Council, but to ask the Council questions. Mr. Alexander immediately came back by reading the law to the Board and showing that the function of the Council was to question the Board, and he therefore wished definitely to ask the Board what they proposed to do with discount rates, open market rates, &c., in case business recession set in, stating that unless the Board was prepared to express their views on this question, he considered the discussion a As the Board made no reply, the discussion on this topic ended there. waste of time.

At another juncture, he said that during the conversations of the previous day, it had developed that in several of the districts the member of the Advisory Council attended all meetings of the directors of the Reserve bank, thereby keeping in close touch with all of the matters which came before the directors for consideration. He said that he had some question as to the propriety of this, but it certainly gave the member of the Council an opportunity to be in close touch with the views of the officers and directors of the Reserve bank of the district. He said that while he was talking he could see Governor Crissinger and other members of the

Toard shaking their heads adversely, and that when he finished, Governor Crissinger stated that the Board was opposed to such a program, that the Board considered the Council as its advisors, and that they should not come there as representatives and advocates of the views of the Reserve banks. To this Mr. Alexander replied that if the Board thought any member of the Council came there solely as an advocate of the Federal reserve bank's point of view, it was time such member be asked to resign. On the other hand, it was up to each member of the Council to post himself as to what the views of his Federal reserve bank were on various questions, because, said Mr. Alexander, if the Board thinks that we are going to come to Washington biased in favor of Reserve bank views, we may also think that members of the Board may be biased on the opposite side and will not represent fairly the point of view of the Reserve banks; therefore, we propose to find out ourselves what the Reserve banks think on various questions, so that we may be in position to make up our minds after hearing directly from both sides.

Mr. Alexander said that after the meeting was over, Governor Crissinger asked him to stop in his office and said that the agitation for a regulation about the use of Federal reserve funds in the call market arose to some extent out of the year-end situation in this bank. Whereupon, Mr. Alexander told him fully of the situation, criticizing you and us for our action; but assured Governor Crissinger that in his opinion, the mistake was fully realized and that this would never happen again; therefore the Board need not be worried about it. Incidentally, Mr. Alexander and Mr. Reynolds had some good-natured chafing on the subject, which our directors greatly enjoyed.

Mr. Alexander said that he felt that in spite of the fact that the Council had gone after the situation without gloves, the meeting broke up with a most cordial attitude on the part of all, except possibly Mr. Platt.

The officers and directors of the bank all feel that this was really an epoch-making meeting, and that after nearly twelve years of wandering in the wilder-

Pierfly-

intended to give it.

I might write more but have been delayed by the arrival a couple of hours ago of Professors Hollander and Sprague, who have just now departed for their homes, and it is necessary to hurry this off to catch the boat. For the same reason, Dr. Burgess' weekly letter to you is very short and ends very abruptly; but in view of the mass of information you are getting in a routine way, I imagine you will have enough to keep you busy until the next week-end.

Hoping that you will have a restful vacation, I am,

Faithfully yours,

Benj. Strong, Esq., C/o The Bank of England, London, E. C. 2, England.

I From / Larreson Calle Verroual + confidential sent frued -Searformor During the mit of the 2. as Council to washington last week meps wetwore, alexander & Kne, as individuals, called on the decretary or had a long of full talk over the Board Muntion He enjoined them. to confrænce, but I ilifer from mr. alexaudeis conversation with meps care Harrison a me that the situation in the Jacotany mind is very much as you reported it to me two months app. Hamlin is likely to be reappointed, and while the Secretary is sympathetic to the idea of a stronger board of fovernor, he is nor llikely to take any milialine to bring it about rinless opportun. thes occur through voluntary resighations. We sovised the directors informally, of this ortustion, following the meeting of may 27. To be able more prospect of propess. Sincreely round Pf. to report

Personal of Confidential

THIRTY THREE LIBERTY STREET

NEW YORK

1926 Dearfovernor. During the recent visit of the advisory conneil to loashington, mapis wet more alexander and Rue, as undividuals, called on the Secretary what a long of full tall over the Board tituation. The Lecretary enjoined them to confidence, but I infer from hir. alexandeis conversation with case Lavison and me that the situation in the Secretary's mind has not changed much for What it was when you talked with him for months ago. He appreciates the bad aspects of the present set-up but on the other haw h has always been able thus far to compore Differenced which have arisen. He favors the reappointment of Hamlin whom he has found very cooperative. He is sympathetic to the idea of a stronger board kend governor but is not clikely to take any initiative to bring it about anders offortunities occur though voluntary renguations. We have advises our directors, in formally, of the situation I am sorry not to be able to report more prospect of properssucceely yours Pierrefaz -

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FEDERAL RESERVE BANK

OF NEW YORK

June 4, 1926.

Dear Governor Strong:

Your two letters of May 15, written on board the Aquitania, came in on Tuesday.

We are all most interested in your impressions of the strike and your statements in regard to it, learned from inside sources. Coming as it did immediately after hearing a discussion of the coal situation by Stamp it was doubly interesting. We read the letter at the last executive committee meeting and the members of the committee enjoyed it greatly.

With regard to the confidential letter concerning compensation for the professors we discussed this a little at the officers' meeting on Wednesday and will take it up in earnest next week. We may even cable you for a further more definite expression of your views. The only progress we made in our discussion on Wednesday was whether, in view of the intimate relations which prevail, of their equal positions, and of the fact that the matter was at least tentatively discussed first with Hollander and that the addition of Sprague came later, it would be possible to give them unequal compensations.

The two professors, as I wrote you last week, arrived as I was in the middle of dictating my letter of May 28 to you, and spent about an hour in the office before departing for their respective homes. They left with us a copy of the testimony, told us a good deal about the hearings and a good deal of your doings, and asked me to arrange a meeting with Secretary Mellon at which they could give him an oral report and a copy of the testimony. When Sprague got home, however, he found so much pressing work awaiting him that he was unable to go to Washington so Hollander is seeing the secretary this afternoon and taking him, I believe, a copy of the testimony.

I am mighty glad that you enjoyed it so much and it came out so well after all the work you did on it.

I have been away for a day and a half at Bryn Mawr graduation and have not had an opportunity to ask Harrison whether he learned anything concerning the Board or McFadden bill matters in Washington during his recent visit there. If so, he is very likely writing you directly.

Two interesting things are happening over in New Jersey; the Second National Bank of Hoboken is contemplating converting into a trust company, and the Fidelity Union is buying up a number of independent banks in Newark to convert into branches if the McFadden bill passes.

Mr. Herson arrived a few minutes before noon on Saturday, May 29, and had all the current cash counted by Saturday evening. On Sunday morning they started on the securities - over \$2,000,000,000 - and had they all counted by four o'clock Monday afternoon. So that when we opened for business Monday morning all the securities and all the current cash could be released and we could go ahead without any disturbance from the presence of the examiners. they made in examining the securities was due very largely to the new system which has been installed in the securities custody division since the Board's examination a year ago.

We are recommending to our directors that we do not increase the percentage, at present 5 per cent., which we set up as reserve against our machinery and equipment. Our view is that the present percentage is ample to cover actual depreciation and that this bank of all the reserve banks should be especially careful not to lay itself open to the charge of padding its reserve account and thereby keeping surplus earnings away from the Treasury.

These seem to be the only items of news I can think of in a short week.

Hoping that by this time you are having a good rest on the Riviera,
I am,

Faithfully yours,

Purify -

Benj. Strong, Esq., C/o Bank of England, London, England.

P. S. I see that I have not acknowledged the copies of newspapers and other sheets published during the strike which you enclosed with
your letter. The officers and directors were very much interested in looking
them over.

OF NEW YORK

June 8, 1926.

Dear Governor Strong:

I started to write you about the effect of the Treasury announcement that there would be no financing as of the June quarter day, but then found that Mr. Case was writing you also, so have omitted what I had dictated on that point.

I enclose a clipping regarding brokers' loans, from which you will see that as of June 2 loans were \$84,000,000 up from the low point. Stock prices have been quite strong during the past fortnight. Industrial averages are up 6 or 7 points and rails 3 or 4 points. I ran into Mr. Moreau Delano at lunch and asked him if it was thought that another bull market had started. He said that that was the question everyone was asking! Bond prices have also been strong of late and there has been considerable buying of securities by banks, widently in anticipation of easier money. The earning assets of the system have not dropped off as we anticipated they would. Evidently banks are using the seasonal surplus of funds to buy securities rather than to pay off the Reserve banks.

In connection with the quarter day Treasury transactions we are arranging the usual temporary sales of securities and, in addition, as we under stand that the Treasury anticipates having a balance of about \$80,000,000 in the Reserve banks soonafter June 20, the officers' council is giving some consideration to a plan for making some temporary purchases of securities to offset a portion of this unusual balance.

Mr. Dewey reports that last Friday Professor Hollander, by appointment, spent nearly an hour reporting to Secretary Mellon on the Indian hearings and that the Secretary seemed most interested and gratified.

Faithfully yours,

Mr. Benjamin Strong, C/o Bank of England, London, England.

Enc.

FEDERAL RESERVE BANK

OF NEW YORK

PERSONAL AND CONFIDENTIAL

June 18, 1926.

Dear Governor Strong:

This is in reply to your two letters of May 15 and June 6.

First, with regard to the latter. I sent you a cablegram in answer to the last paragraph about the period of your absence, which you have doubtless already received.

The Case matter is settled so there is nothing to discuss further about that. I am sorry to say, however, that Mrs. Case has for the past week been quite ill with a recurrence of her old trouble and Mr. Case has been very much worried about it.

With regard to the special matter relating to yourself which you put in my hands, I have no misunderstanding as to your intentions and I do not think that there is any misunderstanding among the directors, though I shall call your letter informally to their attention again after the meeting next week.

I understand confidentially that the Secretary is sailing about the middle of July, but do not know for how long. I do not think that this will interfere with any plans that may develop.

Governor Crissinger has been quite ill for two or three weeks, and my own belief is that he is a very sick man. Should he be unable to continue, that would present an opportunity, but in accordance with my recent longhand letter I feel that unless this should occur there is not much likelihood of progress.

I understand that Harrison has communicated with you with regard to 270 Park Avenue.

Now, referring to your letter of May 15 with regard to compensation for the professors, we have given it much consideration here and we understand

from your letter that you wish to leave the settlement of the matter to us. We have, accordingly, acted first by our officers and yesterday by our directors. We seem to be unanimous in feeling that it would be rather invidious to compensate them at different rates in spite of your statement on the subject. We also feel that a per diem basis would be more satisfactory than a lump sum. We have made a number of inquiries and find that for expert testimony \$100 a day is considered as a current rate. We have, accordingly, sent each of them a check for \$3,600, representing \$100 a day for the period of their absence from this country. We believe that this will satisfy them, being just about half way between the amount which Sprague and Hollander themselves suggested to you; namely, somewhere from L500 to L1,000 a piece. I hope very much that you will be satisfied. I am enclosing memorandum giving the entire expenses of the Indian currency matter which we had to present to the directors yesterday.

It is understood that I am to write a letter to the Secretary of the Treasury with regard to the whole matter of compensation after we hear from Sprague and Hollander characterizing it as a fiscal agency matter and leaving it to the Secretary to deal with it with the Board in any way he sees fit. Harrison is writing you to-day about his understanding with Winston in this connection.

I trust that this will prove to be satisfactory to you, even though it is contrary to the two views which you yourself expressed in your letter of May 15 which was read in full to both our officers and directors.

Hoping that you will continue to get a good rest, I am,

Sincerely yours,

Prempay

Benj. Strong, Esq., C/o Bank of England, London, E. C., England.

STATEMENT OF EXPENSES INCURRED IN CONNECTION WITH PREPARATION AND PRESENTATION OF DATA TO INDIAN CURRENCY COMMISSION

To H. N. Lawrie For services 8 days March 26 to April 3 inclusive \$666.66 Expenses two trips Washington to New York and return etc	\$797.41
To H. A. C. Jenison	
For services March 26 to April 16 inclusive \$1,583.33 Expenses New York to Washington and return,	
self and assistant	1,666.83
To Arthur Notman	
For services March 26 to April 15 inclusive	1,500.00
To Prof. J. H. Hollander	
For services April 23 to May 28 inclusive \$3,600.00 Traveling Expenses Baltimore to New York and	
return, three trips	
Passage to Europe and return 988.65	
Expenses in London and on passage 298.04	
Passport, letter of credit, etc 16.50	4,984.14
To Prof. O. M. W. Sprague	
For services April 23 to May 28 inclusive \$3,600.00	
Railroad fare to Boston 8.26	
Passage to Europe and return 986.00	
Expenses in London and on passage	1 031 07
Passport, letter of credit, and misc 21.81	4,934.97
GRAND TOTAL \$	13,883.35

The above statement does not include expenses incurred by Governor Strong or by employees of the Federal Reserve Bank of New York.

June 17, 1926.

FEDERAL RESERVE BANK

OF NEW YORK

June 22, 1926.

Dear Governor Strong:

This is to acknowledge your letter of May 23 in regard to the Carroll article, and your letter of the same date enclosing translations of various news paper articles which show that whatever Count Volpi did in giving the newspaper men the right touch about your visit he did not attempt to, or at least did not succeed in closing their imaginations. We have all been mighty interested in reading the translations.

With regard to the letter of May 23 and the Carroll article, since you wrote the letter Harrison has cabled you several times on the subject after discussion with Case and me, and although you say, "I hope you will take it up with them (the Post) very energetically," we have unanimously reached the conclusion that in view of the widespread discussion of all kinds which has appeared in the papers nothing short of a formal statement from us here would cure the situation, and that we believe would be most inadvisable and likely only to lead to further surmise and discussions. I am afraid you are bound to be bothered by this sort of thing every time you go abroad and in every country in which you appear. Under the circumstances it has seemed to us in the bank that your intention of not returning to Paris in view of the situation there was a wise one unless, of course some special matter should come up to require you to go there. I only bring up this subject again so that you may not feel that I have overlooked a request in one of your letters. I have noted the copy of the letter enclosed with yours of May 23rd.

Yesterday I received your letter of June 7 replying to mine of May 28 and cabled you a reply today, copy of which I enclose.

Referring to the second sentence in your letter I do not agree with you

that the Council meeting "left everything up in the air." I think it very distinct ly convinced the Board that they would get nowhere by picking at the amounts loaned on the Stock Exchange from day to day by New York member banks which are at the same time borrowing from us. In general it was a meeting which was very educational to all members of the Board as to the attitude of the city banks in regard to Stock Exchange loans.

With regard to the second part of your second sentence I do not think the discussion "confused the views of the Federal Reserve Board as to the year-end situation in New York," because, unless I am mistaken, Alexander's discussion of this subject was with Crissinger alone. The whole effect of the meeting was to reverse the Council's ll-year attitude and put it in what we all agree is the correct position of putting the Board on the witness stand. Apparently the Board accepted this position, and, as I think I wrote you, said they would be glad to have the Council submit them in advance of the next meeting the questions the Council would like to ask the Board. This change in attitude is, in my opinion, mainly due to Alexander, but thoroughly sympathized in by Wetmore.

With regard to the attitude of the Board toward this bank, what you have said and written has thoroughly convinced Case, Harrison and me of the sincerity of your statement, and we, plus your letters, have, I believe, convinced the directors. I think they are entirely in sympathy with your feelings on the subject and anxious to do everything practicable to bring about what you desire. On the other hand, from the outset they have felt that it was a very delicate matter which could not be attacked in hammer and tongs fashion but must be gone at diplomatically and with some patience.

Harrison has shown me a postscript of a letter he wrote you June 18, which I think covers the situation very fully. I read your letter of June 7 to the members of our executive committee after the meeting yesterday and intend to read it to the entire Board after the meeting on Thursday. If any further ideas develop on

Thursday as to what might be done I will advise you of them. In the meantime there is not much more to say.

Although I do not consider that it has any bearing on the subject I must tell you of an incident in connection with Dr. Miller. After the advisory council meeting he told Alexander how much he appreciated the discussions which he and Alexander had had on New York banking matters, and said that he would like some time to talk further with him about them in New York. Accordingly, the day before he sailed, he lunched with Mr. Alexander at the Bank of Commerce. Messrs. Houston, Ward and Chandler were also present. During the course of the discussion your work for the System was mentioned and Dr. Miller went the limit in praising you and your work. After Dr. Miller had gone Messrs. Houston and Ward remarked to Mr. Alexander that they had seldom heard such high praise given anyone as Miller gave you. I learned of this lunch indirectly through Reyburn yesterday and called on Mr. Alexander this afternoon to learn of it firsthand. It was during our discussion of it that I learned that Mr. Alexander had had a private talk with Mr. Mellon during the Council meeting and discussed with him quite fully your attitude in regard to the relation of the Board toward this bank. I suggested to Mr. Alexander that possibly you and Mr. Mellon might meet on the other side. He asked me to warn you to regard as strictly confidential any reports I might have given you concerning conversations which he. Alexander, had had with the secretary on the general subject of the Board.

As to the renewing of your lease I understand from Mr. Harrison that he gave Miss Bleecker and Phil a full explanation of the situation as he understood it and that they then made up their minds to renew the lease.

Harrison tells me he has written you about clearing house matters and about Winston having advised the Board concerning the Indian matter, so I do not believe there is anything more to write to-night. I think I should say, however, that Harrison must have handled the clearing house matter with Gregory extremely well in order to have gotten such a forward-looking report out of what seemed to be such an unforward

looking committee.

W

We are all delighted to learn that you are having a good rest and enjoying it.

Sincerely yours,

Benj. Strong, Esq., C/o Bank of England, London, E. C., England.

PJ/RAH

CABLEGRAM

Benj. Strong

- 1. Replying your letter June 7 you have doubtless received my longhand letter regarding Board situation.
- 2. There is really nothing to add except to assure you that directors are entirely in sympathy with your attitude and give informal consideration to subject after nearly every Board meeting.
- 3. I learned confidentially from Alexander only to-day that he had represented your personal attitude fully to the Secretary.
- 4. Realize how discouraged you must feel at lack of progress but we all feel that matter will require an opportunity and some patience before final settlement.
 - 5. Writing further.

Jay

THIRTY THREE LIBERTY STREET June 30. [1926]
NEW YORK

Dearfovernor.

This is a line to oupplement the cables + letters you of Harrison have been exchanging on the matter of your Decision about resigning. a couple of weeks ago our directors, peros Case or Har-nion, discussed the situation, quite fully me. I said that I thought we obould acquaint the secy directly of the situ-ation. They all felt that that might be minumber toos as a personal conflict between you + a certain board member I were offored to it. Last week a took it up again with Them, on the basis of another of your letters and unged dain that it about be done, omitting entire. by any mention of personal difference They direct that the sein should hear of it directly from us. So yetterday I saw him him for a few minutes and told him that just before you left you had told me to as me of your decimon or asked me to as. vise the directors: that they at first felt that pulles you were nt as serious as

we, the officers believed, but that later cone polidence had courined them or They now felt that he should be acquainted with your definite decision to retire mules before your setun or at least in the near future, some organization of the BE could be effeeted which would improve The helations between the Bet This Bk. and do away with the misundentandings and the improgring of motions which had occurred during the past year or which he had had to take a hand in Composing I put your decision on the pound of the effect which there situations of the effect which there situations of the effect which there situations of had on your health. I said we were execute sistered a sistered as a start the said we were greatly vointimbed at the prosfect of your leaving or thought he as chim. of the B2 should be fully apprised! He said he was most busions to have you stay; that he had the situation fully in mind o wishes to effect a better by anyation of the Bo but that he did not thank Harblin's place Moned be used for the purpose. It fell that the illuers of 2 members might doon give an opening in a perfectly vatural way - This, he said, he did ent wish repeated to our B? as coming from

him, so Kindly receive it accordingly - But it is common forsifs around the Hearing evidently, as Dewey spoke to me of the libelihood of resignations thro'illness. was naturally a delicate matter for yo to tell him of your decision though I midentood you has discussed with him the situation in the B2: but I supferted that if he were to meet gon aboad and initiate a discussion of the matter in the light of your Decision of which he was now definitely inform. led (he evidently had not realized from the indirect statements of others how definite o serious pour decision was) I thought it might be helpful. He seemed to like this idea very much, and said he would write you after landing + try to among a meeting I han just Eabled jon the first of the foregoing. of Coc. The fovernor has returned after Bor & weeks at marion with his pro-tatic trouble apparently quite fully re-corstrous without an operation or the prospect

one. He looks tired of ale from the attach, but I am inclined to feel they the prospects of anything immediate there are perhaps illusory - But with that weakness another attach might be more serious. for 2-3 months under observation & teatment. Eddy sawhim monday, says that the prospects are that he while be greatly benefited by the heat. ment this diabetes fotten under control. Jam going gon these two perbonal diapnores solthat you may how The dituation as fully do we do. It more oftimintie of results in the rear future Sincerely young Pungay -

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1187 N R. R. S. On CO.

Thirty Three Liberty Street New York June 30. [1926]

Dear Governor-

This is a line to supplement the bables + letters you + Harrison have been exchanging on the matter of your decision about resigning. A couple of weeks ago our directors, plus Case + Harrison, discussed the situation again quite fully on the basis of one of your letters to me. I said that I thought we should acquaint the sec'y directly of the situation. They all felt that that might be misunderstood as a springing from a personal conflict between you + a certain board member, + were opposed to it. Last week I took it up again with them, on the basis of another of your letters and urged again that it should be done, omitting entirely any mention of personal differences. They agreed that the sec'y should hear of it directly from us. So yesterday I saw him for a few minutes and told him that just before you left you had told me of your decision + asked me to advise the directors: that they at first felt that perhaps you were not as serious as we, the officers believed, but that later correspondence had convinced them, + they now felt that he should be acquainted with your definite decision to retire unless before your return, or at least in the near future, some organization of the Bd could be effected which would improve the relations between the Bd + this Bk. and do away with some of the misunderstandings and the impugning of our motives which had occurred during the past year + which he had had to take a hand in composing. I put your decision solely on the ground of the effect which these situations had on your health. Isaid we were greatly disturbed at the prospect of your leaving + thought he as chim of the Bd should be fully apprised. He said he was most anxious to have you stay: that he had the situation fully in mind + wished to effect a better organization of the Bd but that he did not think Hamlin's place should be used for the purpose. He felt that the illness of 2 members might soon give an opening in a perfectly natural way. This, he said, he did not wish repeated to our Bd as coming from him, so kindly receive it accordingly. But it is common gossip around the Treasury evidently, as Dewey spoke to me of the likelihood of resignations thru! illness.

I said to the sec'y that it was naturally a delicate matter for you to tell him of your decision, though I understood you had discussed with him the situation in the Bd: but I suggested that if he were to meet you abroad and initiate a discussion of the matter in the light of your decision of which he was now definitely informed (he evidently had not realized from the indirect statements of others how definite + serious your decision was) I thought it might be helpful. He seemed to like this idea very much, and said he would write you after landing + try to arrange a meeting.

I have just cabled you the gist of the foregoing,

Now, as to the health of C t C. The Governor has returned after 3 or 4 weeks at Marion with his prostatic/+ acute attack apparently quite fully relieved without an operation or the prospect of one. He looks tired + pale from the attack, but I am inclined to feel that the prospects of anything immediate there are perhaps illusory. But with that weakness another attack might be more serious.

The other C. is at J. Hopkins for 2-3 months under observation + treatment. Endy saw him Monday, + says that the prospects are that he will be greatly benefited by the treatment + his diabetes gotten under control.

I am giving you these two personal diagnoses so that you may know the situation as fully as we do. I wish most devoutly I could be more optimistic of results in the near future.

Sincerely yours [signed] Pierre Jay

Digitized for FRASER http://fraser.stlouisfed.org/ Federal Reserve Bank of St. Louis

FEDERAL RESERVE BANK

OF NEW YORK

July 1, 1926.

Dear Governor Strong:

This may seem a very inconsequential matter to refer to you, and if you feel like returnint it to us without consideration in view of your preoccupation with vitally important matters we shall thoroughly understand it.

You remember that last spring we prepared a circular relating to the ratio of capital to deposits in member banks. This was a four-page circular which discussed the subject in a way which you thought might possibly disturb confidence in banks which had a small ratio of capital to deposits. We are now about to send out our usual circular relating to the earnings of member banks and it has occurred to that if we simply added the facts in regard to bank capitalization as a last-page of this circular it would come to all member banks at a time when they were studying their affairs and would give them an opportunity of seeing how they compared with other banks in this important respect also without urging them to do anything about it. We believe that we have taken out everything of a nature which might cause people to raise questions about banks having small ratios of capital to surplus, and believe that this indirect method will raise the question with all member banks in a way which will not be alarming.

On the other hand you may feel opposed to it as you did before, in which case we can send out our earning circular without it. Perhaps you will be good enough to indicate in one of your cables whether you approve or disapprove including it. Do not bother to go into your reasons but just give us your "yes" or "no."

Very truly yours,

Premy

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http://fraser.stlouisfed.brgnj. Strong, Esq.,
Federal Reserve Bankof St. Equisic of Final and, London, England

FEDERAL RESERVE BANK

OF NEW YORK

July 8, 1926.

Dear Governor Strong:

I do not know what other officers may have written you except the usual letters from Burgess with regard to money market matters and Harrison with regard to foreign matters, so I am writing you about quite a number of different things at the risk of repeating what you may have heard through others.

I was very much relieved to get a letter from Sprague the day before yesterday acknowledging our check for \$3,600. I had written him a second letter on July 1 suggesting that if in any way the check was not in accordance with his expectations or with any understanding he had with you I hoped he would write me frankly. Copies are enclosed of both Sprague's and Hollander's letters. Now all that remains is to write Secretary Mellon a letter transmitting to him a statement of all the expenses in connection with the investigation. I enclose copy of the expense statement and hope to get off the letter to the Secretary to-morrow.

I have just had a letter from Oscar Wells saying that he has decided to invite Newton Baker to address the A. B. A. Convention "on some subject which would in some way pertain to the Federal Reserve System and which would have the effect of enlarging the wholesome respect of the bankers for the Federal reserve banks.

He expects to invite Fancher's assistance in getting Mr. Baker's acceptance.

At the New York State Bankers Convention in Quebec Mr. Chase, president of the First Trust & Deposit Company of Syracuse, was elected president, and Mr. McGarrah, vice president, for the ensuing year. There is quite a movement on to reelect Mr. Treman whose term expires this December. Mr. Treman's attitude is favorable to reelection, it is quite evident that the bankers wish him for another term, but not otherwise. He sailed on July 3 to be gone just short of two months.

As Mr. Appleton, executive vice president of the Montclair Trust Company, has been elected president of the Guardian Trust Company, the new five million dollar bank just about to open in Newark, (They have applied for membership and we have recommended favorably to the Federal Reserve Board but have not yet heard their action) the Montclair Trust Company is again after Mr. Lins to become executive vice president. The indications are that some arrangement will be arrived at but the details are not yet settled. At any rate he would not leave us for five or six weeks.

With regard to mid-year salary adjustments Mr. Sailer has completed an arrangement with the Board which enables us to advance employes from one grade to another between \$2,500 and \$5,000 without prior approval by the Board, so that we are making a moderate number of such readjustments to take effect with the mid-uly pay checks. The board has also approved our recommendation in regard to Downs. but Mr. James expressed himself in such a way with regard to our proposal concerning Burgess, first, because it was a mid-year adjustment without any change of grade or title, and second, because he hesitated to pass on an important salary change in an officer of this type during Mr. Miller's absence, that our directors thought it was the part of wisdom not to press the matter but to leave it for the year-end. But we got it in the record so as to prepare their minds. In this connection we were very glad indeed to learn from your cable that you approved both of the recommendations. I explained the situation to Burgess and he was both very pleased at the action of our directors and quite content to await the year-end.

You have already heard by cable concerning the Clearing House action yesterday. They adopted the Gregory report unanimously except for the section doing away with exchange charges on checks, notes and drafts. Action on that section was had separately and the vote was 27 to 5 in favor of it. I only know who two of the five were; namely, the Bank of Commerce and the Equitable Trust Company.

When I was in Washington last week with Mr. Sailer on the salary matter I saw Governor Crissinger who had just returned from four weeks' absence and he seemed much better although looking pretty worn and tired. I talked with him on the telephone yesterday but understand that to-day he is again sick in bed and likely to be there for a few days. But Mr. Eddy tells me that it is nothing serious. Someone has doubtless written you about Mr. Cunningham's being in the hospital - Johns-Hopkins. They are giving him rather heroic treatment there for Diabetes and just at present Mr. Eddy, who waw him yesterday, tells me that he is in a rather nervous shape, weighing only about 120 pounds and apparently a pretty sick man. Mr. Eddy thinks there is little chance of his being back at work on the Board for some months.

Governor Crissinger yesterday told me that over the Fourth there had been a conference in Washington of some of the Witham interests, with a view to raising \$10,000,000 to save the system. He was distinctly of the impression that the money would not be forthcoming and he felt it was not at all unlikely that the whole chain would go in the near future. There are nearly 100 banks in Georgia, I believe, and a number in Florida. During the past year or more the deposits of many of the Florida Witham banks have been deposited in and invested by the Georgia banks, and now that the thaw has come in Florida and deposits are melting away the Florida banks cannot get their money out of the Georgia banks. Already eight or ten of the Witham banks in Florida have closed, I understand.

Witham member banks in this district are in very good shape. Through the joint efforts of Messrs. Case and Reeves they have reduced their loans to the Witham System during the past three years from about two and a quarter millions to about seven hundred thousand dollars. Only two of them now have loans aggregating more than their capital and surplus to the Witham system and should any re-percussion occur up here they could probably easily raise more capital locally. There is one

FEDERAL RESERVE BANK OF NEW YORK

nonmember bank in New Jersey which is a member of the Witham System and has a good deal of money still loaned there, but their directors are men of means and probably could take care of the situation satisfactorily.

Yesterday, Mr. Herson called on Mr. Case and me and presented the report of the examination of this bank begin May 29. The only matters discussed with us were the following:

- He listed 13 member banks in our territory and one in Buffalo borrowing in excess of capital and surplus.
- He listed 10 borrowers' financial statements in our territory and 9 in Buffalo territory which he considered unsatisfactory.
- He listed 4 notes under rediscount in the Buffalo territory in which there were alterations or irregularities.
- He listed 1 piece of rediscounted paper in the Buffalo territory in which the line was in excess of the discounting bank's capital and surplus. -10 % d
- He listed the member banks which have been frequently deficient in required reserves.

His conclusion is as follows:

"Your examiner is pleased to report that the examination developed no items of material criticism and conditions were found to be generally satisfactory."

It was just about as near a clean bill of health as we could have.

Just before you left you will remember that we discussed the redistribution of some of the work among the deputy governors. In view of the fact that for five or six weeks it was uncertain whether Mr. Case would accept Mr. Gilbert's invitation it did not seem wise to bring this up, but we held an executive session of the officers' council about ten days ago and had our first discussion of it. I am hoping that some time next week we can reach a conclusion which can be communicated to you for your consideration.

Sincerely yours,

Benj. Strong, Esq. C/o Bank of England, London, E. C., England. Pinela

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Memorandum on the Credit Situation

Since last week our loans to New York City banks have been reduced from 191 million dollars to 109 million and there is prospect of further reductions during the balance of this week and next week. Total earning assets of the system have shown corresponding reductions. The immediate credit stringency thus appears to be past. As to the general credit situation and its bearing on our policy in the coming two or three months, the following comments may be made.

Money Rates.

We are entering upon the period of fall increase in credit demands at a somewhat higher rate level than prevailed a year ago. The figures for a year ago, dates just prior to our two most recent rate increases, and yesterday, are shown in the following table:

Money Rates

J	uly 13, 1925	Jan. 6, 1926	Apr. 21, 1926	July 14, 1926
Our rate	3 1/2	3 1/2	4	3 1/2
Commercial paper	3 3/4-4	4 1/4-4 1/2	4 1/4-4 1/2	4
90-day bills	3 1/4	3 1/2	3 1/2	3 3/8
90-day time loans	4	4 7/8	4 1/4	4 1/2
Call loans, typica for week	4	4 1/2	4 1/4	4 1/2

There is now a tendency toward higher open market rates which will be accentuated as the fall demand for funds comes on. There will, therefore, be a tendency for open market rates to get out of adjustment with our discount rate, unless this tendency is offset by open market purchases of securities.

Volume of Credit.

Member banks. Total loans and investments of reporting member banks are approximately one billion dollars larger than a year ago. This is an increase of between 5 and 6 per cent and may be compared with a typical year to year increase of 7 per cent for the past 50 years. The makeup of member bank credit is shown in the following table:

(In millions of dollars)

	July 8, 1925	Jan. 6, 1926	Apr. 21, 1926	July 7, 1926
All Reporting Member Banks				
Commercial loans	8,188	8,492	8,608	8,525
Loans on stocks and bonds	5,092	5,688	5,263	5,533
Investments Total loans and invest-	5,498	5,444	5,579	5,653
ments	18,778	19,624	19,450	19,711

Federal Reserve Banks. Total bills and securities of the Federal Reserve System in July 1925 showed a daily average figure of 1065 million dollars. The figures thus far available for July 1926 appear to indicate a probable average level between 100 and 150 million larger than a year ago, an increase slightly larger than has been the case so far this year. In addition to this increase in Federal Reserve credit the country's gold stock has been increased approximately 100 million dollars since a year ago, although this increase has been partly offset by an increase of \$25,000,000 in the amount of gold earmarked in the Federal Reserve Bank of New York. The change in makeup of Federal Reserve credit as compared with a year ago and more recent periods is as follows:

(In millions of dollars)

	July 8, 1925	Jan. 6. 1926	Apr. 21, 1926	July 7. 1926
Federal Reserve Banks	- In a similar of behavior			
Bills discounted	450	593	450	556
Bills purchased	241	345	229	228
U. S. securities	339	369	389	389
Total bills and				
securities*	1,043	1,318	1,081	1,173
*Includes other securities				

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and foreign loans on gold.

In general the increase since a year ago in the volume of credit does not appear to be seriously out of line with the normal growth due to the growth of trade. No indication of a lack of adjustment between credit and trade appears in commodity prices, although there is possible evidence of such lack of adjustment in prices of securities and real estate.

Quality of credit

As shown in the table for reporting member banks, approximately half of the increase in credit since a year ago is in loans on stocks and bonds, and these loans are now about as large as they were in February, when the spring high point of stock prices was reached. Loans to brokers and dealers in New York City, however, continue about 650 million dollars less than in February. This difference would appear to indicate that stocks are now being carried more largely by direct loans to individuals rather than by loans to brokers. They may also indicate a somewhat wider distribution of stock ownership, or distribution into stronger hands. This volume of credit supports stock prices, which are not far from the prices of last February. The volume of trading is heavy but not quite as large as last fall or in March.

The category of loans to show the second largest increase is the socalled commercial loans, which include loans by banks to finance companies as well as direct loans to businesses or individuals. There is no way of knowing how much of this increase consists of loans to finance companies.

There is also an increase of over 150 million in bank investments.

The change in the use of credit since a year ago may be summarized by saying that in spite of active business there does not appear to have been any large increase in the amount of credit required for carrying inventories, advancing wages, or other such increases which in the past have usually accompanied this

stage of the business cycle. Instead additional supplies of credit appear to be utilized for increased prices of stocks and bonds, new issues of securities, some new business enterprises, and installment buying.

The examinations which are currently made of the loans and investments of member banks do not reveal in general the unwise use of credit,
although the consequences are now being felt in certain quarters of too large
advances for enterprises connected with real estate.

Movement of Funds.

So far this year there has been an import balance of gold amounting to about 80 million dollars. At present the relative position of money rates in New York and London is so closely balanced that there is little tendency for funds to flow in either direction. The tendency in both centers will be for firmer rates during the fall, but if rates should grow firmer more rapidly here than in London, the tendency would be to stimulate a gold movement in this direction. A pull of funds toward this country this fall might be very embarrassing for London and some of the European centers.

FEDERAL RESERVE BANK

OF NEW YORK

July 23, 1926

Dear Governor Strong:

I have been away for three days in Columbus and Cleveland. In Columbus I was attending the annual meeting of the Supervisors of State Banks, were I made a talk and heard a discussion on cooperation between these officers and the reserve banks in regard to examinations and supervision, which was very satisfactory. In Cleveland, we had a meeting of the Bank and Public Relations Committee of the Agents Conference, which did not produce much in the way of any program for concerted effort, but indicated that quite a good deal of good work was going on in the various districts.

Martin, who was in Cleveland, had told me that during the period between the Clearing House Committee's report and the action of the Clearing House itself, which abolished exchange charges, the Chicago Clearing House had taken action removing Boston, Philadelphia and St. Louis from the discretionary list and putting them on the charge list. We asked Heath about this. He said that it was a rather hurried action taken in George Reynolds' absence, and that when the latter returned to Chicago a fortnight ago, he was very much surprised and disgusted at the action taken. Heath intimated that perhaps a little later the Clearing House might change its attitude. In the meantime, Boston has sent its Clearing House examiner to Chicago to find out just the situation there, having it in mind that the Boston Clearing House might wish to take retaliatory action against Chicago checks. At present Boston has no compulsory charges of any kind except on non-par checks. The enclosed editorial sent me by Newton of Atlanta may interest you.

Eddy tells me that Mr. Cunningham has just returned to Washington from the Johns Hopkins Hospital and is soon going West for some months.

The enclosed copy of a letter from Mr. Winston regarding silver inquiry will interest you.

Mr. Peacock and one of the young Baring's called for a few minutes this afternoon, largely to ask after your health and plans. They are returning to England next week.

I am very much obliged for your telegram about the earnings circular. I saw your letter to Burgess as soon as it arrived, but did not notice until after getting your cablegram that some one had sent you an earlier copy of the circular than was enclosed with my letter. In as much as we have sent out circulars almost exactly like this for the past two years, and other Reserve Banks the same, and as we often send out information not having to do absolutely directly with the operation of the bank, and as the circular in its final form really would not be very suitable to our monthly bulletin, we have decided to go ahead and issue it. As you suggested in your letter to Burgess the text has been very materially changed and one chart has been omitted from it. We all feel that all of the prickers have been taken out of it.

The closing of so many banks in the Witham System in Georgia and Florida is making a great to do in that section. The fact that yesterday two or three of the closed banks reopened may be reassuring. In our district there has been some local gossip about the Withem banks but nothing in the way of real nervousness has developed. Mr. Reeves and the New Jersey Commissioner are taking active steps to get the doubtful paper out of the three institutions which have any substantial volume of it.

Burgess tells me that he is not writing you this week-end and I agree with him that from the credit point of view there is very little about which to write. Everything is going along smoothly; money is fairly comfortable.

The enclosed is a photostat of a chart which I keep from week to week. The future depends largely upon the volume at which the autumn rise occurs. beginning presumably some time in the next two or three weeks.

I am assuming that you get clippings as usual although Miss Bleecker is away and you have doubtless seen that both last Thursday and yesterday there were rumors among the brokers of an increase in our rate. I shall not write anything about international matters as, of course, we have nothing to tell you in regard to these. But the present controversy between the United States and British Treasuries as to the British borrowings here is making a most unpleasant feeling here which is finding its reflection in editorials, some of which back up the American point of view and others feel that it would have been better if there had been no discussion on the subject whatever.

I remember writing you some time ago that Mrs. Case was quite ill. I do not know what Mr. Case has written you regarding her, but as he has gone it occurred to me to say that she is now considerably better and that he is expecting to take her up to the White Mountains a week from today and to be away for about a month.

Hoping you are feeling fairly refreshed by your stay on the Riviera, I am

Sincerely yours,

Pierre Jay.

Mr. Benjamin Strong, c/o Bank of England, London, England.

PJ/MEM

Enc.

FEDERAL RESERVE BANK

Norman Shacht is

OF NEW YORK

August 5, 1926.

Dear Governor Strong:

We have just finished a rather long directors' meeting, and in the absence of Case and Burgess it occurs to me that you might like to hear something about the discussion we have had in the last two or three days on the subject of an increase in our discount rates, concerning which we cabled you yesterday. It will all be old matter by the time this letter reaches you, but nevertheless you might like to get a little of the background.

As you know our directors, about the middle of July, gave consideration to the question of the change in the discount rate, and a statement was prepared for them, copy of which was enclosed. (Very likely someone may have sent it to you before.) At that time it was decided that a change was not yet indicated, but it was suggested that one might be indicated before very long. At the meeting of July 29, just before Mr. Case left on his vacation, he expressed his own opinion that a change would soon become necessary. On Monday noon the enclosed statement appeared on the ticker and was at once the signal for a jump of eight or ten points in General Motors which was followed by another similar jump on Tuesday. On Tuesday morning Governor Crissinger called up Mr. Harrison and said that it was his opinion that we ought to raise our rate and sell \$75,000,000 of securities. had a meeting of our directors at lunch that day to discuss your cable about certain further conferences with your friends which you had in mind, and after acting upon that we discussed the question of a change in the discount rate, Messrs. Reynolds, Reyburn, Saunders, Woolley and myself being the directors present. Mr. Reyburn book no part in the discussion and left early. Mr. Reynolds felt that a change was perhaps imminent but that outside rates were in rather a transition Hoye as he thought to a higher level and that the picture would be much clearer a week or two hence. Mr. Woolley expressed the view that we should postpone action until

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by an increase in our discounts we had an unimpeachable statistical justification. Mr. Saunders thought our rates were out of line and we should increase at once. Of course, the discussion was merely informal.

Yesterday afternoon Governor Crissinger called me on the telephone and said that the Board had just had a meeting at which he and Messrs. James, Hamlin and McIntosh were present, being all of the members who are now in Washington, and that they asked him to advise me that three of them would be ready to approve an increase in our rate to-day, but that Mr. Hamlin had said he did not care to express a view until we first took action. Governor Crissinger indicated quite strongly that he felt we should act at once. I reported this to a meeting of the officers' council which was held shortly afterwards to consider the subject, and we were quite unanimous in our feeling that if conditions a week hence had not changed, and if you saw no objection from the foreign point of view to a rate increase, the rate should be increased next week, but that from several points of view we thought it better not to make the change this week. Among these were the fact that we are now in the period when the month-end transactions had not clarified themselves; last week's re ort showed a decrease of about \$18,000,000 in brokers' loans whereas the report to be made on Monday of next week would probably show an increase of from \$80,000,000 to \$100,000,000 of brokers' loans; the outside rate situation will be more clear a week hence; to raise this week would make it appear as though our action might be considered to be based largely on recent stock exchange activity and the Cochran statement, whereas by next week the statement will perhaps be largely forgotten; and in any event we were not ready to recommend an increase without first consulting and hearing from you. I telephoned Governor Crissinger of our attitude, and do not think he felt very happy about it.

To-day we presented the enclosed statement and also read a letter from Governor Crissinger, together with a statement which Mr. Goldenweiser has made to the Board on August 4, recommending that we increase our rate. As our recommendation



Runkle both expressed themselves as favorable to an increase. Messrs. Reynolds and Reyburn made no expression. Mr. Woolley and Mr. Young were both away and will probably not be here next week either. Mr. Young, in talking with Mr. Harrison on the telephone yesterday, however, said that he was quite ready to go along on a rate increase if the directors felt the situation justified it.

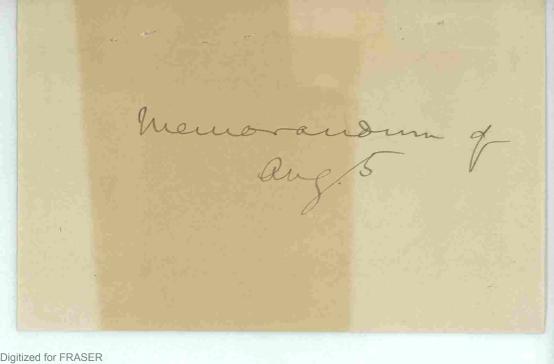
I have two or three letters from you which I have not acknowledged as I believe they do not call for replies, but will try to write you further to-morrow.

Sincerely yours,

Pierrefay -

Benj. Strong, Esq., C/o Bank of England, London, E. C., England.

PJ/RAH



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Credit Situation

Since the statement prepared on July 15 the principal changes in the credit situation have been a further increase in money rates and an increase in the amount of stock speculation, accompanied by increases in security prices and brokers loans. The volume of production and trade continues large and the prevailing attitude optimistic, in marked contrast with the attitude a few months ago.

Money Rates.

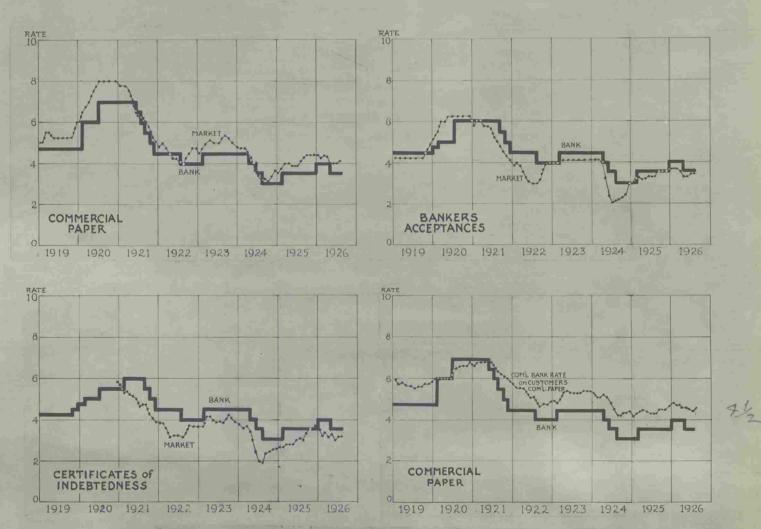
The following table compares money rates in July and thus far in August with the corresponding periods a year ago. As the table indicates, time money, commercial paper, Treasury certificates, and bank rates to customers, have increased since the middle of July and all the rates quoted are higher than they were a year ago.

	July Average		August 1 2-04	
	1925	1926	1925	1926
Call loans average	4.09	4.28	4 1/4 - 4 1/2	4 - 5
Time money: 60-90 day 4 - 6 months	4-41/4 4 1/2	4 5/8 - 4 1/2 4 1/2 - 4 5/4	4 - 4 1/4 4 1/4 > 4 1/2	4 1/2 - 4 5/8 4 5/8 - 4 5/4
Commercial paper	8 3/4 - 4	4	4	4 1/4
90-day bills	3 1/4	3 3/8	3,1/4	3 3/8
December Treasury certificates	8.06	8.11	3.07	5.18
Bank rate to best customers	4 - 4 1/4	4 1/4	4 1/4	4 1/2 *

* Still somewhat uncertain

The relationship between these rates and our discount rate is shown in the attached diagram. It would appear from this diagram that the discount rate of this bank is now somewhat low relative to open market money rates, judging from the experience of previous years. And the present rate would appear to offer some inducement to member banks to borrow.





Interest Rates at New York Compared with the Discount Rates of the Federal Reserve Bank of New York. Rates Shown are for Prime 4 to 6 Months Commercial Paper, Prime 90-day Bankers Acceptances, Certificates Maturing in 4 to 6 Months, and Commercial Bank Rate on Customers' Paper

Volume of Credit

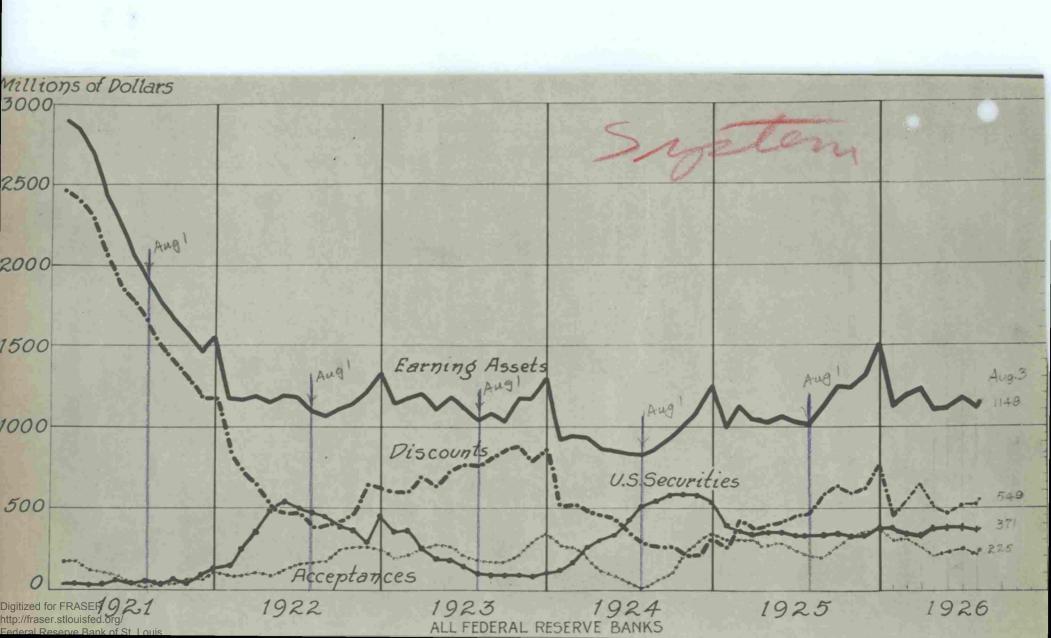
The total volume of bank credit outstanding is probably slightly increased since the middle of July. In general the amount of total loans and investments of reporting member banks is about one billion dollars larger than a year ago, - an increase of between 5 and 6 per cent. This is not out of line with the usual year to year increase in the volume of credit due to the growth of the country's business. But in interpreting these figures it should be borne in mind that the increase follows an exceptionally large increase in the preceding year amounting to about 9 per cent, and that this year's increase has occurred notwithstanding a decline of about 5 per cent in commodity prices and economy in the business use of credit. The increase in the past year represents in large part an increase in credit used to finance higher security prices.

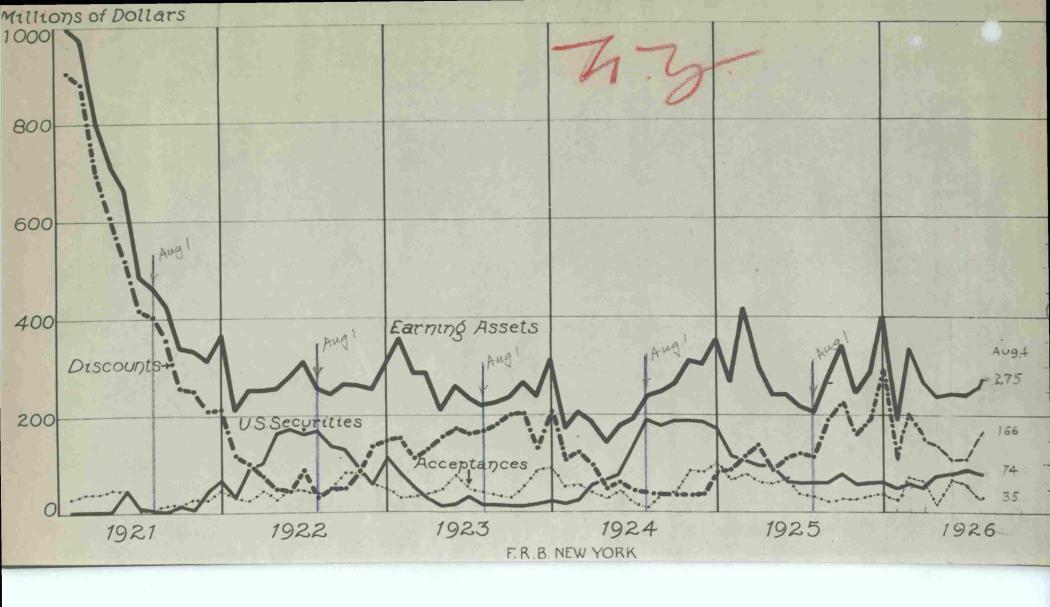
The amount of credit extended by the Federal Reserve System and by the New York Reserve Bank are shown in the following table, which gives the figures in daily averages for the month of July.

DAILY AVERAGE (In Millions)

	System		New York Reserve Bank	
	July 1925	July 1926	July 1925	July 1926
Discounts Bills Purchased U. S. Securities	482.3 232.7 387.7	549.4 229.9 379.3	142.4 36.9 88.7	168.8 41.6 78.8
Total Bills and Securities	1,065.3	1,165.3	250.0	291.6

The month to month changes in the System and the New York bank are shown in the following diagrams.





Speculation

In the past few days representative averages of industrial stock prices have reached new high points for all time and railroad stocks have reached the highest prices since 1913. This movement has been accompanied by an increase of about 100 million dollars in loans to brokers and dealers, and when the figures are available they will probably indicate that total loans on securities by member banks are close to the highest points for the year. For some weeks past the stock market appears to have been largely professional in character, and largely influenced by the activity of a number of powerful pools, but in the past few days there appears to have been an increase of public participation. It would appear that the increase in stock speculation in recent months has been facilitated by moderately easy money.

Volume of Trade.

The latest figures for bank transactions indicate that trade in July was as active as in any previous month of 1926. The rate of production of iron and steel has been increasing recently, production in other lines is at a very high level, and there appears to be somewhat more freedom in forward ordering than was the case earlier this year. In the building industry there are beginning to be evidences of over-production and there are similar situations in a number of other industries. The psychology of business appears to have undergone a marked change and is more optimistic and less cautious than it was a few months ago.

Gold Movement.

Recent gold movements have included an import from Australia, which is likely to total about 20 million, small imports from Mexico, a small export to Canada, and an export of earmerked gold to one of our foreign correspondents,

which does not affect the credit situation. No large further movement appears to be in immediate prespect.

While the general tendency of an increase in our rate relative to foreign rates is to attract gold to this country, it is not now apparent, with the rate situation as at present, that there would be any gold movement resulting from an increase of 1/2 of one per cent. in our rate. The Bank of England discount rate is now 5 per cent. and the bill rate in London 4 1/4 to 4 5/16. Thus even with an increase in our rate London rates would be higher than rates in New York.

To the Directors August 5, 1926.

FEDERAL RESERVE BANK

OF NEW YORK

August 10, 1926.

Dear Governor Strong:

Your cable No. 52 to Mr. Harrison led us all to do a good deal of hard thinking over the last week-end. The first reactions of the officers to your suggestion, with the exception of Mr. Kenzel, were all adverse. The general feeling was that such a large change would startle the country, coming at a time when the general rate structure would hardly justify it. It would give an indication that the System saw something in conditions about which it was thoroughly alarmed, whereas as far as we can see, there was nothing to be greatly alarmed about. We all thought about it over Sunday and talked about it most of Monday at the officers' council and executive committee meetings. Mr. Harrison at Jamestown got in touch with Mr. Young down at the Cape and he had the same reaction as the rest of us. I am not quite sure whether Kenzel felt in favor of your suggestion, but he did not feel that it would be as startling as the rest of us felt.

We all felt that we should change to 4 per cent. now, which the general rate structure amply justifies; that we should watch the situation carefully during the next few weeks, and if it seems desirable we could sell securities and later raise the rate another one half of one per cent. I may say, however, that on receipt of Governor Crissinger's suggestion that we should sell \$50,000,000 to \$75,000,000 of securities and raise the rate to 4 per cent., Mr. Sailer consulted all members of the open market committee and they felt at that time opposed to selling securities.

At the executive committee meeting Mr. Reynolds made a knowing exclamation when we read the paragraph about fixing the limit upon heavy borrowers. That suggestion was not discussed in the executive committee meeting, but we discussed it at the officers' council and are making a close study of the situation with a view to seeing what if any line of action it seems logical and practicable to

I must say we all felt relieved to receive your cable indicating that you were satisfied with the action likely to be taken, after canvassing opinions, on Thursday, August 12.

On reading your cable No. 52 some of us thought that perhaps our No. 43 to you, from the way it was phrased, had perhaps made a little too strong an impression of alarm on our part, which really was not the case. Mr. Reynolds at the executive committee meeting, entirely independently, said that he gained the same impression after hearing the two cables read.

This morning the stock market opened weak. Dow Jones stated that this was on account of the publication of the increase of over \$80,000,000 in brokers loans during the past week. The market continued under pressure all day, and the general list closed down from one to three points while steel was down in five and General Motors down to sixteen. Also money ruled at 5 per cent. in the latter part of the day.

I think our rate change on Thursday will have a salutary effect. Probably you have seen from the clippings that it is suggested that General Motors is about to declare a large stock dividend now and Steel is likely to follow suit after the first of the year.

I am enclosing a memorandum I have asked Mr. Roelse to make up, bringing up to date the memorandum of a week ago sent you with my last letter.

Alexander tells me that he has to sail on September 15, two days before the Advisory Council meeting. We shall have to consider on Thursday appointing a substitute.

I was delighted to read of Ben's promotion yesterday. I lunched with Warburg on Friday and he did not say a word about it. He has gone to the Adirondacks for a month with Mrs. Warburg and is expecting to spend most of next winter in California.

Harrison is writing you about his encounters with the Clearing House

committee. He acquited himself might well in a difficult situation.

I was much obliged and so was Mr. Winston for your cablegram with regard to the Indian Currency matter. I am keeping him daily advised of any information we receive.

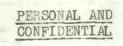
You might be interested in the enclosed copy of a letter Burgess wrote to Mr. Winston yesterday. Mr. Winston is most anxious to get your views after reading the report.

Sincerely yours,

Purpy

Benj. Strong, Esq., C/o Bank of England, London, England.

PJ/RAH



FEDERAL RESERVE BANK

OF NEW YORK

August 10, 1926.

Dear Governor Strong:

As indicated in my last letter I have two of your letters to acknowledge dealing with your personal matter; namely, the typewritten one of July 1 and the longhand one of July 13. Since receiving the latter I have followed your recommendation and attempted to forget the subject for the moment, but I don't need to tell you that it is something one cannot very well forget because it is so vital to me and to everyone else in the bank.

I think your analysis of the situation with the governor is correct. He is not likely to retire unless illness compels. A letter I had from him yesterday contains the following sentence: "I feel that I am getting along better and am getting stronger each day." He is now in Marion for a few days.

I feel that there is not anything else for us to do until we hear of your discussion with the Secretary. As to the statement in your longhand letter, "Now it has occurred to me that no one took my statement at face value, and that the idea of dealing with it impersonally could get nowhere," I may make this comment; the officers took your statement at face value but the directors did not. They were at the outset opposed to dealing with it directly and it was only my insistence and the evident failure of the indirect method that led them to authorize me to go direct. In the meantime I have seen copy of your letter to Harrison in which you make two interesting suggestions regarding personnel.

Sincerely yours,

Perinfay

Benj. Strong, Esq., C/o Bank of England, London, E. C., England.

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Federal Reserve Bank of St. Louis

FEDERAL RESERVE BANK

OF NEW YORK

August 18, 1926.

Dear Governor Strong:

Dr. Burgess is theoretically away on his vacation during August, but as a matter of fact, as he is only down at Atlantic Highlands we have had to call him in on two or three occasions. First, when we were discussing the rate change and second, in preparation for the open market committee meeting yesterday.

In Dr. Burgess's absence I am trying to take his place in writing you about money market conditions.

Our rate change apparently took the street rather by surprise, as you no doubt have seen from the clippings sent you at the end of the week. Owing, however, to its coming at the same moment as the General Motors 50 per cent. stock dividend the stock market took it rather calmly. Industrials, however, have been not very strong since, although rails have continued to advance somewhat and, as you doubtless have noticed, are selling at very high prices, but the earnings of the good roads are remarkable.

During the past week time money has firmed up to 4 3/4 and commercial paper is much more generally on a 4 1/2 per cent. basis. The greatest change has been in bills which are up about 1/4. Mr. Kenzel reports that bill dealers advanced their rates quite sharply on Monday, not knowing which way the market was going to move. They felt they had better put themselves in a defensive position. We advanced our buying rates from 1/8 to 1/4 on Monday so that they are at present as follows:

	Old Minimum Established by Directors for Prime Indorsed Bills	New Rates at Which This Bank is Buying Prime Indorsed Bills To-day
30 days	3 1/8	
1-45 days		3 3/8
60 days	3 1/4	
46-90 days		3 1/2
90 days	3 1/4	3 5 /6
4 months	3 3/8	3 5/8
5-6 months	3 3/4	4
Trade acceptances	3 1/2	4
org Sales Contracts	3 1/2	3 1/2
of Ct Louis		

FEDERAL RESERVE BANK OF NEW YORK.....

At the officers council meeting this morning Mr. Kenzel suggested that in view of the uncertain state of the market he thought he should be in a position for a few days longer to maintain our rates in a somewhat flexible state. He is inclined to think, however, that in the course of a week or two we should advance our minimum buying rate to 3 1/2 and 90 day rate to 3 3/4. The purpose of this would be to make our bill rate closer to our discount rate and perhaps to stimulate rediscounting somewhat rather than sales of bills.

The Clearing house made no change in its rates for interest paid on deposits as a result of our change in discount rate.

The open market committee met here yesterday under Mr. Sailer's chairmanship. Messrs. Harding, Fancher, Hutt and McKay were the members present, and Messrs. Crissinger, McIntosh and James were also present from the Board. The meeting was called to consider a request from Mr. Winston to purchase \$40,000,000 of Third Liberties, of which \$25,000,000 were in the System account and \$15,000,000 in independent accounts in other Reserve banks. The net result of the meeting was to vote to sell the \$25,000,000 of the System account and to ask the other banks to turn their Thirds into the System account in exchange for other securities. There are \$67,000,000 of September 15 certnficates in the System account, and the question arises whether to let these run off in September or to replace them. It was decided to hold another meeting of the committee during the first ten days of September, to reach a decision on this point. I understand that many differences of views were presented. One extreme view was gradually to replace \$40,000,000 with other securities while the other extreme view, expressed by Governor Crissinger, was that the whole \$270,000,000 of securities should be sold by the first of October. Governor Crissinger was very much disturbed about two things:

> (a) The stock market, which he is convinced is the most vicious market in years, because in his opinion it largely consists of an attempt by insiders to distribute their securities to the public with a view of getting them back later in the year after elections when, he thinks, we may very likely have a democratic Senate. Governor Crissinger felt that if we were going to have a big market and then a slump we should sell our securities so as not to be in a position where people might say that the Reserve system had aided

Digitized for FRASER http://fraser.stlouisfed.org/ ederal Reserve Bank of St. Louis speculation by keeping its funds directly in the market. In his opinion, if Reserve bank credit is used it should be taken through rediscounts at such a time.

(b) Because he fears that in many sections of the country optimism is not warranted and we should not let business get too much of a gait.

On the other hand Mr. James felt quite content to carry our securities and would not feel badly should the occasion warrant it if we had a considerably larger amount. The net result of the whole discussion was as I have given it above.

Governor Crissinger said that Iowa was having a fine corn crop this year, while other sections, notably Ohio, Indiana and Northern Nebraska and South Dakota, were having a very poor corn crop, so that prices were rising, and he thought would rise much further. He felt that this would have a wonderful effect in straightening out the credit difficulties in Iowa.

We have lost \$9,500,000 gold to Canada on the present movement. How long this will continue no one can tell. Recently the exchange has been a little less favorable to exporting to Canada. On the other hand Canada may need the gold as a basis for some of its autumn note expansion. Mr. Kenzel says that the guess is that the movement will run to \$20,000,000. Mr. Harrison says that all guesses on the gold movement to Canada have so far proved wrong.

Mr. McKay says that business in Chicago had never been so big in the history of the city, and out there they were looking for a record-breaking autumn.

From the earnings of the Federal reserve banks to date it looks as if, without any question, all of them would earn their dividends and have substantial amounts over during the present calendar year.

Covernor Crissinger stated that one of the brokerage houses in Washington had telephoned to New York a quarter of an hour before we announced our rate increase last Thursday stating that our rate had been raised. He said he heard in several quarters the feeling expressed that some of our directors were so close to large business undertakings that it was felt that their howledge of rate discussions was rather unfortunate. I told him that I did not see how, if we were to get good

directors they could avoid being in large undertakings.

The Governor's health is much better than when I last saw him.

Recently. Mr. Bowers of the National Bank of Commerce, came in to say that Martin Saxe, who has charge for all the New York City banks of their suit to recover some of their payments under the Monied Capital Tax, would like very much to have the figures of the Stock Exchange Loans for the period beginning in 1921 after your testimony before the Agricultural Inquiry Committee, down to January, 1926. He said that he understood last year some of the larger banks objected to the publication of these figures, but he was quite satisfied that if they thought it essential to their counsel in this suit they would be glad to ask us to give them to Mr. Saxe. Mr. Saxe would use the figures in his brief and they would inevitably become public in due course. The officers have discussed the matter and we all feel that the banks who gave us this information now want us to release it there is no reason why we should not do so. Incidentally some of us rather feel that it might be a good time for the Federal Reserve Board, if it wished to do so, to ask us for these figures and publish them in the Bulletin, together with those you furnished the Agricultural Inquiry, as a sort of background to the present figures. You will remember that Stewart was anxious to have them last January but we thought that they should not be given out at that time as it might cause too much of a shock. Now, however, the public is used to these brokerage figures and it certainly would be interested to see what they used to be in former years. It might also have some effect on brokers if they saw how much above the level of previous years the present year's figures are. If you should feel like cabling your views on this subject I think we would all be very glad to have them.

Noting a recent letter of yours about the Capitol National Bank and its president, you may be interested to know that we have recommended to the Board adversely in regard to granting them trust powers, but the intimation is that the Board will over-rule us, as I gather the Governor is very favorable to granting powers.

We have received the copies of the Indian Currency Commission report and

http://fraser.stlouisfed.org/ Federal Reserve Bank of St. Louis sent one each to Winston, Crissinger and Goldenweiser.

Alexander will be unavoidably absent at the next Advisory Council meeting September 17, and we have appointed McGarrah to act in his place.

At this point let me acknowledge your good letter of August 3 from Amsterdam and refer to a few matters you speak of.

Mr. Baker could not make the address before the A. B. A. We suggested some other names which did not strike Wells favorably. He suggested Governor Seay and our view was that he would not contribute very much, so I think he has given up the idea of having a key speech on the System.

Referring to what you say about the expense account of the Indian currency matter, you may be interested to know that the account was not submitted to the Board in detail by Mr. Winston, merely the aggregate figure. In this connection Mr. Harrison may already have written you that Governor Crissinger told him recently when he was in Washington that Mr. James had heard all about your appearance before the Commission from some of the democratic senators.

In regard to Mr. Lins the matter definitely crystallized on Monday and he is going to leave September 15. He gets a salary of \$16,500 and a 20 per cent. bonus.

I have a little of the feeling that you have in regard to Mr. Downs, but the question of the change will await Mr. Case's return on September 1st. I think we all feel that it should be made if possible without taking in any outside people.

Mr. Harrison has just been in and showed me the telegram he is sending you to-day which gives you most of the information I have already written about the effect of our rate and the open market meeting. Nevertheless, as there are some things he has not touched on I won't re-write the letter but will let it go along as it is.

The Board has finally approved my vacation and I am now hoping to leave on Saturday September 11, to be gone until the end of October. The Board is planning to have the autumn conference whortly after election.

Mr. Barrows returned on Monday from a month's vacation spent on the water

and in England.

I am afraid this is a pretty rambling letter!

Sincerely yours,

Peinfer

Benj, Strong, Esq., C/o Bank of England, London, E. C., England.

PJ/RAH

Write from hordon

FEDERAL RESERVE BANK

OF NEW YORK

August 27, 1926.

Dear Governor Strong:

Yesterday I received your letter of August 11 regarding the Indian
Currency Report. I have sent a copy of it to Mr. Winston and have asked him
whether he wishes me to do anything further with regard to the last paragraph,
which speaks of an analysis by Professor Sprague and possible preparation of
material for public use. As far as the bank is concerned, I think that we
have no reason to make any public statement. There is a good deal of discussion of it in the papers and once in a while your connection with the testimony is mentioned. I presume you get clippings of such things from Miss Bleecker.
The report is evidently stirring up a good deal of interest in the country, and
of course it represents a very important change in an important country, which
cannot help having some effect on monetary systems elsewhere.

I am enclosing copy of a letter which a man named Fuller has been sending around to a good many banks in the Middle West. I am also sending you a copy of a letter which the Federal Reserve Bank of Minneapolis received from one of its correspondents. Harrison sent a copy of it to Winston and yesterday Winston made a little statement on the subject, concerning which the enclosed is a clipping.

Last Tuesday I was in Washington at a meeting of the agents' examination committee with the Board's examination committee, now consisting of Messrs. Platt, James, and McIntosh. We presented again, somewhat redrawn, the report and suggestions we presented last April and this time it appeared as though the Board's committee would accept our view, which was that the agents should do the examining rather than the Board and should be held responsible for it; and should be

required by the Board where examinations now are unsatisfactory, as the Board feels there are in many states, to secure satisfactory examinations. We accordingly finally presented our report to the Board's committee for such disposition as it sees fit to make of it. I had felt rather hopeless about the matter because James had been so insistent that the Board should do its own examining of state As a matter of fact, due to the distressing situation in Florida and to the blow-up of the Witham system, under which some 80 banks in Georgia and Florida have closed, and to the fact as I understand it, that many of the country papers in Georgia are blaming the Reserve System for the failure of the Witham banks, which were all nonmembers, and to the fact that the Atlanta constitution has been printing editorials saying how much better member banks are than nonmember banks on account of Federal Reserve supervision, the Board feels it has a great responsibility. Its members have recently discovered that although the agents send in copies of all examination reports of state banks, they are pidgeonholed in Washington and not analyzed. Consequently, the Board has voted to establish a division of member bank examination which will be in charge of a first-class man and a proper staff which will pay some attention to these reports as they are sent in and will endeavor to keep the Board informed as to the states in which state examinations are satisfactory and those in which they are unsatisfactory. Our committee feels that this is an excellent move and will doubtless lead to our securing better examinations and probably better supervision by the state supervisors. At present we hear nothing from the Board on the subject except a general complaint. With this new division we should be able to localize the complaint where it belongs and take steps to improve conditions Governor Crissinger is also busy engaging four or five high-grade examiners to be attached to the staff of the new department, which can be loaned to Federal Reserve agents to supplement their own staffs and thus help secure better examinations. But in all cases, as I understand it, the examinations are to be undertaken by the agent rather than by the Board. If used properly I think this is a good move

FEDERAL RESERVE BANK OF NEW YORK 3

also, but of course you will see that it has its dangers. I think that this whole question will be the principal point of discussion at the agents' conference this autumn.

I understand from Governor Crissinger that the conference will be held shortly after election. which this year will be November 2. My guess is that it will be the week beginning November 8.

Governor Crissinger has got a new doctor and is very much improved in health, spirits, and looks. He told me that Mr. Miller had spent an hour with him the day before telling him all about his trip, which covered England, France, Belgium, Switzerland, Holland, and Germany. I forget whether or not he went to Vienna and I asked Governor Crissinger whether Mr. Miller had heard any criticisms of the Federal Reserve System on the other side, to which he replied that the contrary was true; that Mr. Miller found everywhere a tremendous appreciation of the System, which had impressed him greatly.

I find that Mr. Cunningham has been out in White Plains for about a month occupying, with Mrs. Cunningham, a house lent him by a friend. I called him on the telephone yesterday and he expects to be back in Washington next week. He will ferhalis spend a day with us at the bank in the meantime. He has much improved, is walking two or three miles a day, and feels that he has gotton on top of his troubles.

I have recently again discussed with Mr. Harrison your letter of July 5 on the subject of the Carroll articles, and your suggestion that I talk with Garrett We feel that in view of the statements these articles in Mr. Harrison's on the subject. letter, dated May 27, and in view of the fact that the matter is now so cold and old, and that nothing else of the kind is likely to come up during your present trip abroad, it would be just as well not to take it up with Garrett. But in the meantime, as I think I may have written you, Julian Mason has become editor and you will doubtless find it easy to discuss the subject with him when you come back. I hope this will be satisfactory to you.

I am planning to leave by the Paris on September 11. My programme is to spend two or three days in Paris and then go straight to Naples, meet my family there and spend a week in each of the following: Sicily, Athens, Rome and Naples, sailing from the latter place on the Duillio October 23, which should bring us home on October 31, or at least Monday morning, November 1. This is purely a pleasure trip for me, but if you see no reason to the contrary I should like to pay a brief call on both Moreau and Stringher, if you feel like sending a line of introduction for me, care of Morgan, Harjes. On the other hand, I can quite well understand it if you think that Moreau has had enough of Federal Reserve for the time being.

We have had rather a quiet week in the bank. The System's statement yesterday showed a decrease of 39 million in government securities and an increase of 36 million in discounts, thus reflecting very accurately the sale of 40 million of thirds to the Treasury, about which you have doubtless been advised. The uptown banks are not borrowing as much as they did last year. Herman's bank is not borrowing at all. Money is working stiffer and business is going ahead at a high rate. Brokers loans have shown the following weekly changes since July 1:

Loans to Brokers and Dealers by New York City Banks

(In Millions)

	Date	For Own Account	For Correspondent Banks	For Others	Total
June	30	1103	884	579	2,565
July	7	1019	952	632	2,603
. 11	14	933	1016	652	2,601
- 11	21	954	1018	648	2,621
27	28	934	1015	653	2,602
Augu	st 4	995	1025	669	2,689
11	11	937	1089	694	2,720
11	18	919	1105	719	2,742
. 11	25	942	1073	717	2,731

This morning we had quite a discussion at the officers' council meeting about operations in the bill market and I asked Mr. Kenzel to draft the enclosed memorandum to send you.

The Board has granted trust powers to Max Radt's bank, in spite of our recommendation to the contrary.

McFadden has stirred up the wholebranch bank matter again by issuing a statement about a month ago, the gist of which is that the banks had better express their views on the subject to senators and congressman so that these legislators will have accurate information before Congress reassembles. As a result the A.B.A. has appointed a committee of 100, with Walter Head of Omaha as its chairman, to represent it in the matter and unquestionably it will be the leading topic at the A.B.A. convention in Los Angeles. Wingo has recently made a stirring speech in Chicago against branch banking.

I was glad to hear from Leffingwell recently that he had seen someone who had seen you and reported that you were looking very well indeed. I hope this is the truth.

Sincerely yours,

Pierrefay -

Encs.



PERCY JAY FULLER

522 Fifth Avenue

New York

August 14, 1926.

Gentlemen:

From time to time we have forwarded you information with reference to the foreign exchange markets, and especially information with reference to the franc.

The last great drop of the franc went down to 196 and then came about the formation of the Poincare Cabinet. What is happening now, is that the Bank of France and the Government of France are buying francs on the open market with the balance of the Morgan Loan. This action serves a double purpose, as it helps sustain the franc to a certain degree as well as gives them their running expenses. There is nothing mysterious or complicated about this it is very plain, and the vast amount of propaganda that is being put out in an effort to sustain the franc is simply in anticipation of further loans to be obtained in this country.

It is our opinion that there is nothing that can save the franc, and I am quite sure that it is unnecessary now to warn the public with reference to the handling of foreign money, particularly of the continent, as it is almost a certainty that they will not pay their foreign indebtedness and are maneuvering in every direction to get rid of it in some way by hook or crook.

It has been suggested that large loans have been made by the Federal Reserve Bank of New York to the French and Belgian Governments, and they have been secretely made, which shows the anxiety of Governor Strong who has been in Europe for many months. In fact, the most suspcious part of it is, that most every financial personality connected with the Federal Reserve System and the Treasury Department is in Europe at this time doing everything possible to obtain something of some tangible security back of these loans.

Let us hope that they will be able to do something at least to protect themselves, because it is almost assured that they will suffer huge losses as a result of their indiscretions.

It is to be hoped that no persons shall be persuaded by the silly, stupid and foolish propaganda which is now in vogue, because the franc, according to the highest officials, is doomed and there is no way in which they can be saved.

The action of the franc at the present is just the same as a farmer trying to buy back the potatoes he has once sold to the public. Keep in mind the old phrase, "Beware of Entangling Alliances," whether financial or otherwise.

Respectfully,

PERCY JAY FULLER

FARMERS NATIONAL BANK Blue Earth, Minn.

August 21, 1926.

Mr. R. C. Lilly, Merchants National Bank. St. Paul, Minnesota.

Dear Mr. Lilly:

Can it Percy Fullar I am enclosing a circular letter from New York. be possible that the Federal Reserve Bank of New York has invested other banks' funds in French bonds as this circular claims they have?

Do you think our Minneapolis Federal Reserve Bank has done the same thing?

After you read this circular, wish you would return it to me and tell me what you think about it.

Yours very truly,

F. H. Davis,

Cashier

NEW YORK

NEW YORK

1926

pearforemor. Hus is to achnowledge yours of reis too July 29 (reed ang. 20) and Jours of ang. 28, reed today Both were on the subject of your own situation! The first left it just about the way it was when I takked with the secy; but in the secand there was a note of much more encourage. ment. We have notinally given much thought to names, but it is difficult to cover a wile range of territory when you can't discuss it much with others outside the bank- Jaffray of unimedfolis was the only name which lame up that sounded at all promising. I don't know him. I will fut it up to our directors Thursday, I like the anderson her and will tyto get a line on his circumstances. I dil not like the winton idea at first but it fows on me daily o I now feel quite enthusiastic Howison & believe has mitten gon often about the personnel aspects of the question Curring ham has now returned to his desh I seems to be much improved. The same is trace of commy.

In formy to be away just as jour the feer return of the situation of ain becomes active. I should like to be able to be of some help in the matter. It is almost impossible to pricture what the bank would be if you were not in it, and your departure would be the peatest loss to me personally; so much so that I can't brine my self to feel that it will FRASERome to pass, However hunch I am con-

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J.

vinces that you are very much in earnest. Some way will have to be found to keep go Let me say that Harrison has been developing finely since you left this thought this judgment on foreign malters to a everything else in the bank have been excellent. In my opinion (I don't gute other as I have bod no direcurrious) he has made a feat stride forward in the position he occupies in the bank. Reynolds about bonowing. The letter sais bes think it over + discips it later. care felt encourse. felt encouraged. Jour Direussion of rates in you. of ang. 26/ was very interesting, also Jone hope that we may get through inthout duother increase. It is too early to have a proprient on that. know if Lins left. Jon bour doubters sen in the buintes that he is resigning as of left 30. Waish's son died suddenly in the White mis Salmbay, Sept. 4? Paris or olympic Saturday (11 =). Sorry not to see you on the other olde - we may very likely cross on the ocean, I father. Though Jour last cables indicate your plans as very rusettles. for a satisfactory solution of the problem you put up to the & irelators, your shinerely of

[Copy of handwritten letter]

1

Thirty Three Liberty Street New York Sept 7th [1926]

Dear Governor.

This is to acknowledge yours of July 29 (red'd Aug.20) and yours of Aug. 26, red'd today. Both were on the subject of your own situation. The first left it just about the way it was when I talked with the sec'y; but in the second there was a note of much more encouragement. We have naturally given much thought to names, but it is difficult to cover a wide range of territory when you can't discuss it much with others outside the bank. Jaffray of Minneapolis was the only name which came up that sounded at all promising. I don't kny him. I will put it up to our directors Thursday. I like the Anderson idea and will try to get a line on his circumstances. I did not like the Winston idea at first, but it grows on me daily + I now feel quite enthusiastic. Harrison (I believe has written you often about the personnel aspects of the question.) Cunningham has now returned to his desk + seems to be much improved. The same is true of Crissinger.

I'm sorry to be away just as you + the Sec'y return + the situation again becomes active. I should like to be able to be of some help in the matter. It is almost impossible to picture what the bank would be if you were not in it, and your departure would be the greatest loss to me personally; so much so that I can't bring myself to feel thaty it will come to pass, however much I am convinced that you are much in earnest. Some way will have to be found to keep you.

Let me say that Harrison has been developing finely since you left. His thought + his judgment on foreign matters + on everything else in the bank have been excellent. In my opinion (I don't quote others as I have had no discussions) he has made a great atride forward in the position he occupies in the bank.

Case had a talk today with Reynolds about borrowing. The latter said he'd think it over + discuss it later. Case felt encouraged.

Your discussion of rates in yrs. of Aug. 26 was very interesting; also your hope that we may get through without another increase, It is too early to have a judgment on that.

You asked me to let you know if Lins left. You have doubtless seen in the minutes that he is resigning as of Sept. 30.

Did you know that Whitmarsh's son died suddenly in the White Mts. Saturday, Sept.4?

I'm expecting to sail on Paris or Olympic Saturday (11th). Sorry not to see you on the other side - we may very likely cooss on the ocean, I gather. Though your last cables indicate your plans are very unsettled.

With my best regards + hopes for a satisfactory solution of the problem you put up to the Directors,

Yours sincerely [signed] P.J.

49 EAST SIXTY FOURTH STREET Dec 24 earlsen. To me the high point of the duiner was your letter. that and your newspaper state. went balebeen, for me, the best things of the part three I can only hope that the prediction in your letter that I may be of some use to filbert will turn out to be conect. to so it will be due almost entirely to my close relations with you during the part twelve yars which hau given ene flimpse of the many econource and other ideas that 10 thro your mind and of the thorough was you at tach problem. These twelve years have been without ghes

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tion the rechest and happier years of my life. I have to thin how very much poorer they world have been if you has not been the guide and unspiration of the TRB. and all that work therein. The dinner seems to be formerally regarded as a mecen. Of course, for me it was overwhelming. But it had a note of reality about it which I couldn't overlook it. and which made me very beautifully worked out and in Fuch good taste. He humidar you and the others jack me is .76 a charming prece of work and most wreful. The reso-in. lutions were all too good in and the engroring the most is attractive, in its struplicity and one Digitized for FRASER

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organity, that I have ever seen. But as I have said before, your letter was the high spott of the evening, the the speeches were all food and thort, and o. Dys was a bulliant prèce of crisp Composition. Intoffer in at a book had to shop yesterday to find a book to send you, but then I remembered to a big pile of books which Ernest seemed to be packing; so I thought I'm send you something of a more feronal nature. So Die arhed Polach stars o host to copy a familie of sleeve lung that I whan con-Staully & send them to you 2 ars 2 weaks have - They belonged to a fellow named Led enich Jay, a trother of my freat great from father They have his initials on them, but of courte the replies will have yours. They're rather thin and als fartitioned. But to res. like them & D'd like you to have a

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Federal Reserve Bank of St. Louis

winter says that the leag has Sananged that fillips my place wont soccur till after the neturns with week. That shews to us all advisable is as the B2 is perplenes by salaries of all such things at this time. Hawlin \$3 is the only one we know of who is Sofever for Brugens. nor a berg good. Segrinding! I expect to be in work. I should with filbert to meet forme of the state soft people, o shall 33 certainly have a talk with mellon, 3 5 in addition to saying food bye to In regard to the Christmas Separty, I foliow the club has a 38 Janes school when for the 29 th A somes beginning to stell 50 & tichts for a capteria suffer. We all poffelt there was no reason whatstever wey the bank about not established this in fact is think we might do more in otherways to smake Christmas more Christmas in the Banh, + case of are discus? 3 ming some places for mext year. I hope you fot to Asherille in E food obafe & one Continuing to gain.

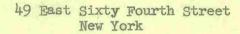
E as 9 for my farewell's at the Bank,

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Je leaving such an atmosphere and sheh

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the prospect that you are foing to come





Copy of longhand letter

December 24, 1926

Dear Ben,

To me the high point of the dinner was your letter. That and your newspaper statement have been, for me, the best things of the past three weeks.

I can only hope that the prediction in your letter that I may be of some use to Gilbert will turn out to be correct. If so, it will be due almost entirely to my close relations with you during the past twelve years which have given me a glimpse of the many economic and other ideas that go through your mind and of the thorough way you attack problems. These twelve years have been without question the richest and happiest years of my life. I hate to think how very much poorer they would have been if you had not been the guide and inspiration of the F. R. B. and all that work therein.

The dinner seems to be generally regarded as a success. Of course, for me it was overwhelming. But it had a note of reality about it which I couldn't overlook and which made me very happy. And everything was so beautifully worked out and in such good taste. The humidor you and the others gave me is a charming piece of work and most useful. The resolutions were all too good and the engrossing the most attractive, in its simplicity and dignity that I have ever seen. But as I have said before, your letter was the high spot of the evening, tho' the speeches were all good and short, and O. D. Y.'s [Owen D. Young's] was a brilliant piece of crisp composition.

I stopped in at a bookshop yesterday to find a book to send you, but then I remembered a big pile of books which Ernest seemed to be packing; so I thought I'd send you something of a more personal nature. So I've asked Black, Starr and Frost to copy a pair of sleeve links that I wear constantly and send them to you two or three weeks hence. They belonged to a fellow named Frederick Jay, a brother of my great great great grandfather. They have his initials on them, but, of course, the replica will have yours. They're rather thin and old-fashioned. But I like them, and I's like you to have a copy.

Winston says that the Secretary has arranged that filling my place won't occur till after he returns next week. That seems to us all advisable as the Board is perplexed by salaries and all such things at this time. Hamlin is the only one we know of who is openly for Burgess -- not a very good beginning! I expect to be in Washington Thursday with Gilbert to meet some of the State Department people, and shall certainly have a talk with Mellon, in addition to saying goodbye to the Board members and staff.

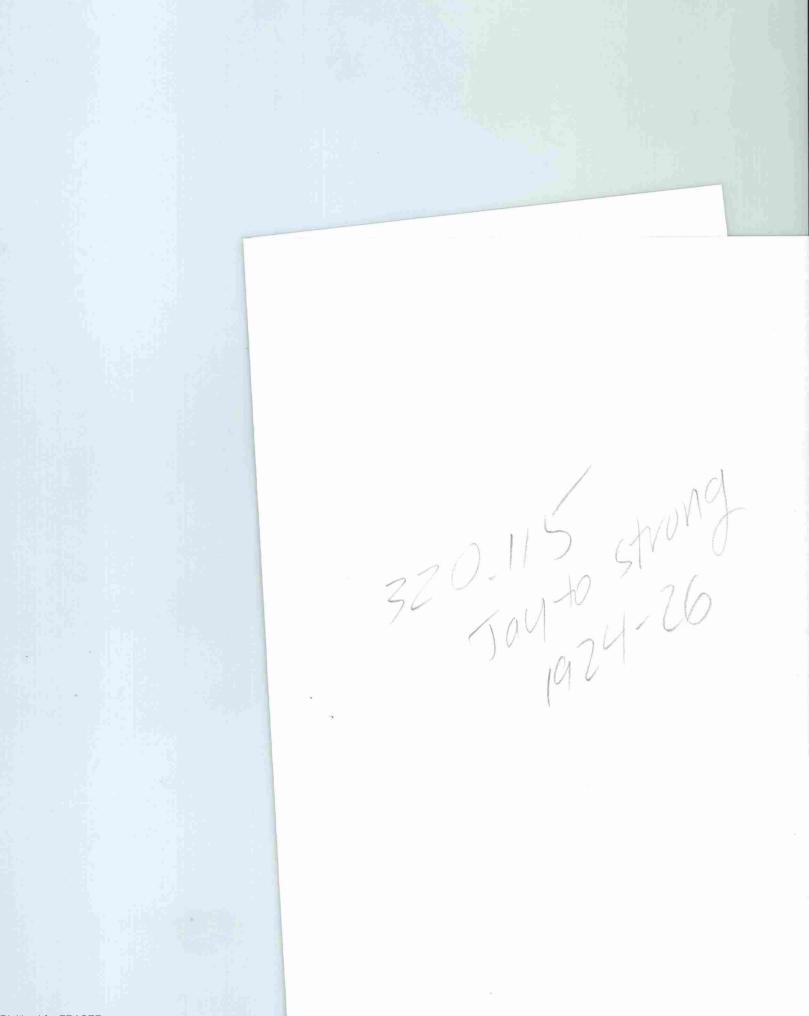
In regard to the Christmas party, I found the Club had a dance scheduled for the 29th and was beginning to sell 50¢ tickets for a dafeteria supper. We all felt there was no reason whatever why the Bank should not absorb this, and so it is to be done. In fact, I think we might do more, in other ways, to make Christmas more Christmasy in the Bank, and Case and I are discussing some plans for next year.

I hope you got to Asheville in good shape and are continuing to gain. As I say my farewell's at the Bank, and the inevitable regrets arise at leaving such an atmosphere and such associates, the really bright spot is the prospect that you are going to come back so well and are going to be in the Bank for so many years to come.

With my very best to you this winter and always,

Affectionately yours,

(Signed) P. J. [PIERRE JAY]



DINNER

to

PIERRE JAY, ESQUIRE

Given by

The Officers and Former Officers

of the

Federal Reserve Bank of New York

MONDAY EVENING, DECEMBER 27TH

Yale Club, New York

1926

Menu

er?

HORS D'OEUVRES

OYSTER COCKTAILS

CELERY

OLIVES

NUTS

CREAM AMBASSADEUR

FILET MIGNON BORDELAISE

POTATOES AU GRATIN

CAULIFLOWER POLONAISE

ENDIVE SALAD (FRENCH DRESSING)

ASSORTED CHEESE

CRACKERS

DEMI-TASSE

Present

Dudley H. Barrows Edward H. Hart

Thomas W. Bowers Joseph D. Higgins

W. Randolph Burgess Pierre Jay

Henry V. Cann J. Wilson Jones

J. Herbert Case Edwin R. Kenzel

Gilbert E. Chapin Adolph J. Lins

Charles H. Coe L. Randolph Mason

Jay E. Crane Walter B. Matteson

Ralph T. Crane Joseph L. Morris

James F. Curtis Francis Oakey

William H. Dillistin Robert M. O'Hara

Edward L. Dodge Jesse Holladay Philbin

Herbert S. Downs George B. Roberts

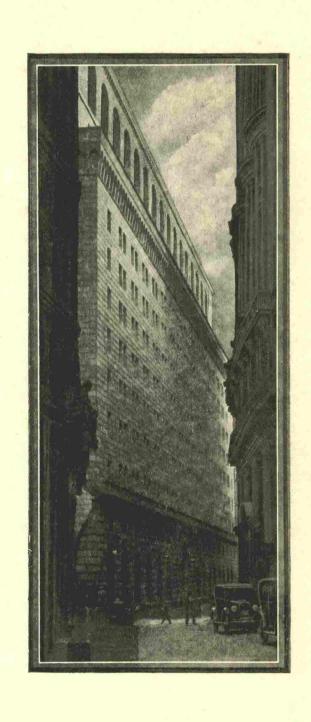
Edwin C. French Leslie R. Rounds

Ray M. Gidney Louis F. Sailer

Arthur W. Gilbart W. W. Schneckenburger

George L. Harrison Stephen S. Vansant

I. Ward Waters





Dinner

in honor of

Pierre Jag, Esquire

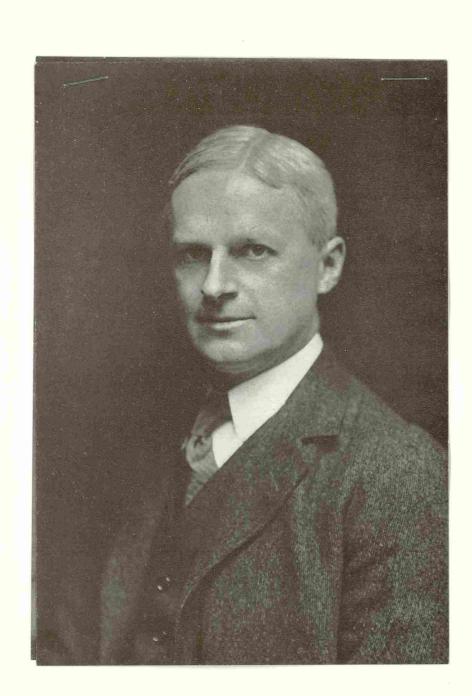
Given by the Directors and Officers of

The Federal Reserve Bank of New York

Monday evening, December the twentieth

University Club, New York

1926



SPEAKERS

20

HON. D. R. CRISSINGER

MR. ROBERT H. TREMAN

MR. OWEN D. YOUNG

HON. S. PARKER GILBERT

MR. J. HERBERT CASE

MR. W. L. SAUNDERS

Presiding

200

BS-Personal ale



[From Harrison Popers]

Mirc. 4 A 180 M 1-26

FEDERAL RESERVE BANK OF NEW YORK

OFFICE CORRESPONDENCE	DATE December 33 1926
To Mrs. Blossber	SUBJECT:
FROM_ E. A. Holmes	
*	

Mr. Jev wents you to keep this for Mr. Strong, and to say that he has looked at it and thinks it fine, but he never did anything about it because he wanted to talk it over with Governor Strong.

December 1926

It has not always been my practice in the past to discuss possible rate changes at the Officers Council meetings, although at times this has been done. You will remember that the recommendations as to rate changes have always been made by me as a personal recommendation, without indicating what has preceeded the recommendation. I gather that some of the directors have been disturbed by suggestions of leaks, and by the further suggestion that there are so many people discussing rate action in the Bank that the possibilities of leaks are considerable. While I do not agree with this view entirely, I think it may be wise to have an understanding as to how rate discussion should be managed during this period. It will be best not to have it dealt with by a special committee of the directors. because the Executive Committee already has authority under the by-laws to make rate changes, and any such discussion should naturally be with the Executive Committee. But as that committee meete on Monday, it is too far ahead of the directors' meeting to justify such a discussion. My preference would be to have Mr. Case and Mr. Harrison take up rate questions with Mr. Sailer and Mr. Kenzel on the day of the directors' meeting, and, if possible, consult one or two of the members of the board who serve on the Executive Committee prior to the board meeting. do not like the idea of recommendations being made to the directors as coming from the Officers Council, indicating formal discussions and records of action taken.

para. Figirum and Moelley représente en l'o-ent ace des bases and Ferritaries a cha

The question of relations with the Federal Reserve Board is bound to become active with both of us away. In the past certain actions have been taken which appear to establish a precedent as to the Board's authority in certain directions, which I believe have been unfortunate. If the directors feel willing to have a small committee of, say, three members of our board confew on these matters during the next six months, or even longer, my suggestion would be that a committee consisting of the Federal Reserve Agent (when appointed), together with

Messrs Reyburn and Woolley represent the board, and Mr. Case and Mr. Harrison the officers. Any important questions with the Board could then be considered by this committee, and recommendations made to our directors. I would be inclined to have the Federal Reserve Agent act as chairman, and Mr. Reyburn as vice-chairman.

We may have some important matters in connection with our foreign business to deal with, and it strikes me that a small committee consisting of, say,

Mr. Young and Mr. Reynolds, would be best, with the understanding that they would

consider matters submitted by Mr. Harrison, or else meet with the deputy governors,

so as to give general supervision to these matters during our absence.
