

a) Samuel W. Rayburn
Director
1925-

1927

President-Associated
Dry Goods Corp &
Leid + Taylor

also dir. Young Spring & Wire Corp., pres. to 1937, chmn. bd., 1937-; chmn. bd., dir. Star Service Hanger Co., Detroit Mounting Corp., L. A. Young Industries of Can., Bowen Products Corp.; ret. Served in Spanish-Am. War. Republican. Baptist. Mason (32°). Clubs: Detroit Golf, Detroit Athletic; Surf (Miami Beach). Home: 918 W. Boston Blvd. Office: 9200 Russell St., Detroit. Died Oct. 20, 1964; buried Woodlawn Cemetery, Detroit.

YOUNG, Owen D., lawyer and corp. official; b. Van Hornesville, N.Y., Oct. 27, 1874; s. Jacob Smith and Ida (Brandow) Y.; A.B., St. Lawrence U., 1894, D.H.L., 1923; LL.B., Boston U., 1896; LL.D., Union Coll., Schenectady, N.Y., 1922. Tufts, Harvard, Dartmouth, 1924, Johns Hopkins, Colgate, Yale, Columbia, 1925, Rutgers, Princeton, Lehigh, 1926, Brown U., Univ. State of N.Y., 1928, Hamilton, 1929, Univ. of Calif., 1930, Wesleyan Univ., Middletown, Conn., 1931, Notre Dame Univ., 1932, Queen's Univ., Kingston, Ont., 1933, U. of Neb., 1934, Marietta Coll., 1936; D.C.S., N.Y. Univ., 1927; Litt.D., U. of Buffalo, 1946; hon. degree, Boston U., 1945, U. of Fla., 1948, Middlebury Coll., 1948; m. Josephine Sheldon Edmonds, June 30, 1898 (dec.); children—Charles Jacob, John (deceased), Josephine, Philip, Richard; m. 2d, Mrs. Louise Powis Clark. In practice, Boston, 1896; mem. Tyler & Young until 1913; instr. common pleadings, Boston U., 1898-1903; moved to N.Y. City, 1913, as counsel for Gen. Electric Co., v. p. until 1922. chmn. bd., 1922-29. 1942-44; hon. chmn. board R.C.A., until 1929, chairman executive committee until 1933; Class B dir. Federal Res. Bank of N.Y., 1923-27; Class C dir., 1927-40; deputy chmn., 1927-38; chmn., 1938-40. Served as mem. adv. groups to fed. govt. on econ. affairs both domestic and internat., 1919-; mem. delegations to internat. confs. on econ. matters, including Reparations Comm., 1920-30. Mem. adv. groups U.S. Pres. on social problems, such as labor, youth, unemployment. Past mem. bds. regents schs. and colls. Gold medalist Nat. Inst. Social Scis., 1923. Roosevelt Meml. Assn., 1929; awarded Order of Rising Sun, Japan, 1921; comdr. Legion of Honor (France), 1924; comdr. Order of Leopold of Belgium, 1925; First Order of German Red Cross, 1925; Grand Cross of Crown of Belgium, 1930. Fellow of the Pierpont Morgan Library. Mem. bar and other profl. assns., hist. assns. and scientific hon. socs. and orgns. Mason, Odd Fellow, National Grange, Clubs: Harvard, Manhattan University, Engineers (hon.) (N.Y.); Tavern (Boston). Home: Van Hornesville, N.Y. Died July 11, 1962; buried Van Hornesville, N.Y.

YOUNG, Plummer Bernard, newspaper editor, publisher; b. Littleton, N.C., July 27, 1884; s. Winfield and Sallie (Adams) Y.; student St. Augustine's Coll., Raleigh, N.C.; LL.D., Shaw U., 1935; L.H.D., Va. Union U., 1937; LL.D., Va. State Coll., 1940, Tuskegee Inst., 1943; m. Eleanor Louise White, 1906 (dec.); children—Plummer, Thomas White.

YOUNG, Udell Charles, food mfg. exec.; b. St. Louis, Nov. 2, 1893; s. Charles Joseph and Nellie (Udell) H.; B.S., Mich. Sch. Mines, 1915, E.M., 1915; m. Frances Vivian Pinkerton, Feb. 23, 1929. Surveyor, Cerro de Pasco Mining Co., Morococha, Peru, 1915-17; ordnance engr. U.S. Army, Aberdeen Proving Ground, 1917-18; plant engr. Provident Chem. Works, St. Louis, 1918-21; supt. Calumet Chem. Co., div. Calumet Baking Powder Co., Joliet, Ill., 1921-29, plant mgr. Calumet Powder Co., Chgo., 1929-33.

YOUNG, Stark, author; b. Como, Miss., Oct. 11, 1881; s. Alfred Alexander and Mary (Stark) Y.; B.A., U. of Miss., 1901; M.A., Columbia, 1902; unmarried. Instr. English, U. of Miss., 1904-07; instr. English lit., 1907-10, prof. gen. lit., 1910-15, University of Texas, and prof. English, Amherst Coll., 1915-21; mem. editorial staff New Republic, 1921-24; asso. editor Theatre Arts Monthly, 1921-40; dramatic critic New York Times, 1924-25; mem. editorial staff New Republic, 1925-47. Lecturer in Italy for Westinghouse Foundation, 1931. Mem. Sigma Chi, Sigma Upsilon, Phi Beta Kappa. Comdr. Order of Crown of Italy. Author essays, books and plays since 1906; latest book: The Pavilion, 1951; Best Plays by Chekhov, 1956. Address: 320 E. 57th St., N.Y.C. 10022. Died Jan. 6, 1963; buried Jan. 6, 1963.

YOUNG, Smith Gresham, merchant; b. West Milton, Saratoga Co., N.Y., July 14, 1866; s. Samuel and Lucy (Hungerford) Y.; ed. dist. sch. and Hartwick Sem., Otsego Co., N.Y.; grad. Master Accounts, Eastman Business Coll., Poughkeepsie, N.Y.; m. Harriet Baker, of Holland Patent, Oneida Co., N.Y., Apr. 11, 1894. Mercantile business, Lansing, Mich., since 1895; pres. Young Bros. & Daley, The Ballantine Co., Lansing Warehouse Co., Reolds Farms Co., Community Land Co., Young Bros. Realty Co.; dir. Capital Nat. Bank, Lansing Community Hotel Corp. Mem. Administrative Bd. Northern Bapt. Conv. (N.Y. City); trustee Kalamazoo Coll., Daytona-Cookman Industrial Inst. (Daytona, Fla.). In charge of various successful campaigns for promotion of Y.M.C.A., Red Cross and Bapt. Chs. Republican. Baptist. Mason. Clubs: Country. Merchants Bureau. Home: 1720 Moores River Drive. Office: 225 S. Capitol Av., Lansing, Mich.†

[From Harrison Collection]

SAMUEL W. REYBURN
434 FIFTH AVENUE
NEW YORK

December 3rd, 1926.

Benjamin Strong, Esq.,
270 Park Avenue,
New York City.

Dear Governor:

Mr. Jay and I proceeded to Washington on Wednesday evening. We outlined a definite program. As Mr. Case's answer had not been received, I called him up at his home Thursday morning. His answer was that he liked the work he was doing, was better suited to it, and that he would prefer to stay there rather than take the other place. He said, however, if both the Federal Reserve Board and our Board should demand that he do so, he supposed he would have to be drafted.

This enabled us to concentrate on Dr. Burgess, and at breakfast we put down on paper his qualifications as we saw them and as we believed you and all the members of the Board saw them. I attach hereto a copy of the statement.

You see it is strong, but I believe it absolutely; so does Jay; and we felt sure you would endorse every word of it and for that matter we believe the other members of the Board will.

We then went to see Secretary Mellon. We were promptly shown into his office and very graciously received. His first question was to inquire about you and he was pleased

to get good news. He spoke of the pleasure he enjoyed at being with you in Europe. Mr. Jay informed him that he had come down to report to the members of the Federal Reserve Board on the matter he was considering. Then I told the Secretary that I was not only the representative of the Board but your personal representative, in coming to him with the problem that would confront the Federal Reserve Board and our Bank when Mr. Jay resigned. I told him that I had understood from Mr. Harrison that he had asked for the information and that you and the Board considered that we had an invitation from him to give our recommendation.

In the presentation of the case, I described the consideration given by you and the members of the Board to the three men in our organization that we felt were eminently qualified for the place. Inasmuch as the members of our Board looked upon the place as second in importance only to that of Governor, it seemed proper to offer first to Mr. Case and then to Mr. Harrison the Board's endorsement and recommendation for the place. This had been done and both of these executives had expressed the desire to remain in their present places. I told him that I thought, and I knew you did and I felt that all the other members of the Board thought this was a very fortunate and wise thing for the Bank. I told him that I had said nothing to Dr. Burgess and I didn't think anyone else had; that he had been Mr. Jay's assistant and we thought there was no question in the world but that he would accept the appointment.

I handed the Secretary a transcript of Dr. Burgess' record and of the rating Mr. Jay and I had prepared, telling him that while Mr. Jay and I had put down the statements we had done it carefully and deliberately and they not only reflected our opinion but also yours. He was apparently very much pleased with the terseness but thoroughness with which our views had been expressed and asked a good many questions. Mr. Jay showed him a picture, which by the way was probably six years old. In response to the Secretary's question, Mr. Jay told him that Dr. Burgess had his, Mr. Jay's, unqualified approval.

Both Mr. Jay and I informed the Secretary as to what we thought the up-State bankers and the New York City bankers would think of the appointment and as to the latter quoted statement made by Mr. Reynolds, that he thought it would be natural for the New York State bankers to ask: "Who is this man?" -- but that they would not be disposed to make any criticism and upon investigation he had no doubt they would all think it was a very splendid appointment.

The Secretary then said he would have no hesitancy in supporting him.

I asked him the direct question if he would not take an active interest and use his influence to secure the appointment for Dr. Burgess. He said: "I will do what I can." We discussed general conditions in the Bank and in a way the relationship existing between our Board and the Federal Reserve Board. I told him I thought that inasmuch as I was there, I

thought I ought to meet the three members who were in the city and if I did I would have to talk about this recommendation. He said that he saw no objection whatever to that; that it was a natural thing to do. As we left, he told us to tell you that he would do what he could in this matter.

Mr. Jay and I then went across the street to the hotel and decided to telephone to Mr. Case to get Mr. Young or Mr. Reynolds to join him in an interview with Mr. Platt and Mr. Hamlin to inform them of Mr. Jay's offer, of our recommendation to the Board for the man to succeed him, and too if he got the chance to bring Governor Crissinger up to date on what we had done. Mr. Jay did the telephoning and then called on Dr. Millar, Mr. James and Mr. Cunningham to notify them of his offer and of his intentions and to ask them to lunch with us, or if they couldn't do that, to ask for an engagement with me in the afternoon. Dr. Millar had an engagement for lunch but we joined the other two at one o'clock in their office and spent nearly two hours at lunch. Both of these gentlemen were most friendly and considerate and as many Westerners can do, I think the three of us got unusually well acquainted in so short a time.

As I was very anxious to pay my respects to Dr. Millar, I took the initiative in breaking up the luncheon party by telling them of the consideration we had given to Mr. Jay's going. My story was that being an executive in a holding company that had a great many such problems that as soon as Mr. Jay told us that he thought the opening was to be offered him and

that if it was, he believed it very likely that he would take it, I naturally began to think about his successor and that other Directors did the same thing, and of course we knew he did not have either the responsibility or the power to fill the place, but we also knew from the way the Board had handled such matters that he would be consulted and probably asked to suggest one or more names. That at first in discussing the matter we all thought that first it might be well to express our preference for men within the Bank. The idea of the desirability of a well-known outside man was also discussed and we considered the idea of also having a recommendation of such a one. But as time went on and we discussed it more thoroughly, we believed we ought to be very frank and straightforward with them and concentrate on the one man that we believed would serve both the Federal Reserve System and the New York Bank with the greatest efficiency.

It seemed to me, I said, that the position was of second importance only to that of the Governor, and that in considering the men within the organization, Mr. Case should be considered first and Mr. Harrison next, as both of these men were eminently well qualified to carry on the work. Some members of the Board thought the work these men are now doing is so interesting and important that they might not want to change, and we would then come to Dr. Burgess, who in many respects was probably better qualified for the place than either of the others mentioned. Both Mr. Case and Mr. Harrison felt greatly complimented with the fact that the Board

of our Bank would offer to suggest their names for the place, but thought for the interests of the Bank as well as for the reason of following their own particular taste in the work, that they had better stay where they were; and then I presented each one with a copy of the sheet I have enclosed.

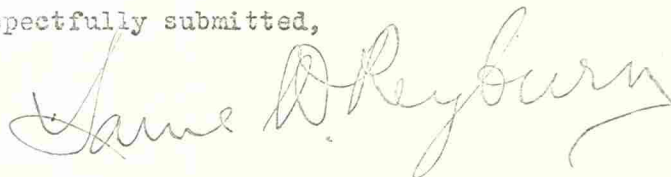
Mr. James asked if we had taken this matter up with Governor Crissinger and Mr. Platt, as they were the members of the New York Committee and indicated that he was ready to back ~~the~~^{their} recommendation if the man was qualified. Mr. Cunningham said he thought Mr. James was right. Both said they were very glad to have our recommendations and each put the paper in his pocket. They then accompanied me to Dr. Millar's office, but the Doctor was away, and Mr. James volunteered to telephone him to see when he would be back. When Dr. Millar was reached over the telephone, he said he had a luncheon engagement with some British visitors and it would probably be very late before he got down, and unless Mr. Reyburn deemed it very important, he would not come. At my suggestion, Mr. James told him I only wanted to pay my respects and I would do that next time I was in Washington. I told Mr. James I hoped to see him often and I would like to spend two or three days there sometime. He said that would be a fine plan and he and Mr. Cunningham would take me in charge any time, and he hoped I would come down before the 16th of January, when he was making a trip out West.

It was now half past three, and I had to hurry to

get my grip packed and catch the Congressional Limited at four o'clock. Mr. Jay remained and took the time to write a full report of what had been done for Governor Crissinger, and he caught a later train. He telephoned this morning that his report to Governor Crissinger was in longhand and he had no copy of it but that he went pretty fully into the matter and that he telephoned Governor Crissinger this morning and everything seemed satisfactory. Mr. Case with Mr. Reynolds and Mr. Saunders had a talk with Mr. Platt and he, I am told, expressed the opinion that the program was a fine one and that he thought he and Governor Crissinger would recommend it. Mr. Hamlin did not stop over so Mr. Jay in his telephone message to Governor Crissinger this morning asked him to go to see Mr. Hamlin and tell him both Mr. Jay's story and our story.

Mr. Jay tells me that in his conference with Dr. Millar the Doctor told him it would be a matter that should be taken up by the New York Bank Committee, Governor Crissinger and Mr. Platt, and indicated that he would support their recommendation.

Respectfully submitted,



SWR/EG

ENCL.

SAMUEL W. REYBURN
434 FIFTH AVENUE
NEW YORK

December 4th, 1926.

Governor Benjamin Strong,
270 Park Avenue,
New York City.

Dear Governor Strong:

Evidently from an aside in a conversation Mr. Jay and I had over the telephone yesterday, I did not make myself clear. I do not want to take up all of your visiting time so I am writing this note.

What I meant to say yesterday was that as you were to leave here on the 9th for possibly four months, and by the first of the year Mr. Jay would leave, and Dr. Burgess would in all probability become Federal Reserve Agent, and we might under the practice have to use Mr. Case or some other Deputy Governor as Acting Governor during your absence, you ought to see Dr. Burgess maybe once or twice before you left; that before you saw him, possibly Mr. Jay should tell him what we had done and if you wanted to, send him to me so that I could talk over the importance of the job and how he might begin to prepare himself now for it if it was offered to him and also prepare himself to go to Washington if the Board asked him to come there for an interview.

In addition to this, what I had in mind to suggest was that during your absence two committees might be very serviceable or possibly three committees; one a committee on rate; another a committee on foreign problems; and a third a committee on relations with the Federal Reserve Board at Washington. Each of these committees would be composed of two men and the Governor, or in his absence the Acting Governor, would be an ex-officio member and Chairman of each. These committees should probably stand for the year, as I understand some other committees you now have, for instance the Welfare of the Staff, and there may be others that I do not know of.

It was not my thought that Dr. Burgess should be sent by us to Washington but that he would go only in case they asked for him. His rapid development in these six years of course is not appreciated by anybody but those of us who have been close to him. Even though some of the members ^{of the Federal Reserve Board} may have known him some years ago and been in casual contact with him since, they might want him to visit them a day or two that they might quiz him a bit and if this does happen, we should not let him go without having thought through on the plan and thoroughly

discussed the matter with you.

In volunteering to interview him, I had in mind to talk to him only about the general problems of an executive and the necessity of knowing about the men he may see if he is called to Washington, and helping him, if he wanted me to, in gathering information about them.

These committees would be used in consultation and I think would be especially helpful at all times while you are away. The discussion of the important problems and plans for solving them with two members of the Board before the Board meeting would in the long run save time. Of course you know that I realize it would never do to have committees try to perform executive functions. This responsibility must always rest upon the chief executive, but to try out his ideas and perfect his plans and have two members of the Board thoroughly informed seems to me would be helpful.

This letter, like the one I took over to you yesterday, has been very hastily written and may not be clear or complete so if you want to talk to me further on the subject after you have read it and need my "legs" and my "tongue", I will come over and get your thoughts and start out to do whatever I can to help you. It seems to me if the committee plan appears to be a good one, it might be taken up tentatively at the Monday afternoon meeting and possibly formal action be taken ^{on Thursday} ~~by Wednesday~~ if you expect to leave by next Thursday.

Yours sincerely,

Sam H. Keyburn

SWR
FG

Lord & Taylor

424 FIFTH AVENUE

NEW YORK

OFFICE OF THE PRESIDENT

February 4th, 1927.

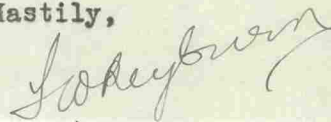
Dear Ben:

This has been quite a busy week and I haven't had a chance to write you. I was glad to hear yesterday that Harrison was going down to see you. At Whitmarsh's request I have been trying to keep him posted and just to save a little time, I am enclosing copy of a letter sent him today.

Jackson Reynolds was right and when he and Owen suggested the little change in the by-law and persuaded Gates there wasn't any doubt about your enthusiasm for his coming, he accepted the call. However, it is not to be announced until after he has seen the Board at Washington and then presented the matter to his own Board. Owen told us yesterday that he would begin to work on the announcement. As I understand it, it will be just a simple matter-of-fact announcement from Washington and then a dignified statement given out by the Federal Reserve Bank here that will cover the matter in a way that will most help the Federal Reserve Bank, and at the same time give proper consideration to the individuals most concerned. However, Harrison may know more about this than I do.

Please give my best regards to Philip, and with my most affectionate regards, good wishes and good will to you, I am,

Hastily,



Governor Benjamin Strong,
Stuyvesant Road,
Biltmore Forest,
Asheville, N. C.

SWR/FG
Encl.

✓ Copy to Governor Strong.

February 4th, 1927.

Mr. Theodore F. Whitmarsh,
New Breakers Hotel,
Palm Beach, Florida.

Dear Theodore:

We had a good meeting yesterday. With Owen Young in the chair to ask questions and bring out discussions in regard to gold reserves, short time foreign loans in this market, discount rates, etc., our meetings are not only most interesting but very instructive. In my opinion it is a very remarkable Board.

From the news Runkle and Jackson Reynolds had, it looks as if Wooden would accept the call of the nomination to take the Directorship vacated by Owen Young. I have seen no announcement of this so you must regard it as confidential until you see it in print.

Owen Young told us Gates had planned to go to Washington tomorrow and then notify Chase Bank Board at the meeting I think next Wednesday or Thursday and sometime soon after that, notices of the appointment would be published, though it is not to be effective until May 1st. Owen had interviewed the leading officers of the Bank and they seemed quite pleased with the new set-up. As far as I can tell, it promises to bring about a better understanding in the organization and with the Federal Reserve Board and increase the prestige of the Bank in the minds of the bankers and the public.

I hope to have ten days or two weeks vacation before the Spring breaks. My own affairs are in pretty good shape but I think a trip to Washington on the Bank's business will be necessary before I go, and I will have to find the men I want to see at home before I go down there. It may be the last of the month before I can get away. My recollection is that you expected to stay in Florida until about the 1st of March. If such is the case, I may pick you up somewhere.

Another thought I have had is to get Mrs. Reyburn to join me and go to Asheville for ten days. She and I could play golf in the morning and I could take tea with Ben in the afternoon. I understand the Grove Park Inn is an excellent place for such a sojourn, the golf course pretty fair and the State roads and the drives through the timber and game reservations most attractive. Why wouldn't it be a good plan for you to come up that far and stop a while and let us do a little playing there together?

Woolley is going out to Arizona to visit his family. I do not think I told you but the doctor advised getting their little daughter into a high and dry climate for the rest of the Winter, and Mrs.

Woolley went West with the children about a month ago.

Yesterday afternoon coming up from the meeting, I told Mr. Treman and Mr. Woolley that I was going to pay Mr. Saunders a call as he was sailing for England today. They joined me and all three of us had a delightful little visit with Mr. Saunders. We found him in good spirits and good health, very much pleased at having recently received a splendid letter from you as well as from many other of his friends, and looking forward to a fine trip abroad.

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

Yours sincerely,

[J W Ryburn]

SWR/FG

b) William L. Saunders
Director
of FRB of NY
1917-26

Chairman of
Ingersoll - Rand Co.

1921

August 27, 1921.

GENERAL FILES
AUG 31 1921
FEDERAL RESERVE BANK OF ST. LOUIS

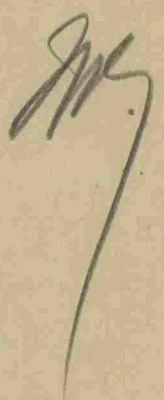
William L. Saunders, Esq.,
11 Broadway,
Ingersoll-Rand Company,
New York, N. Y.

Dear Mr. Saunders:

Governor Strong requests the pleasure of your company for dinner on Tuesday evening August 30 at 7:30 p. m. at the Metropolitan Club this city, Fifth Avenue and 60th Street, when the directors will meet Governor Norman and Sir Charles Addis. It will be rather informal, dinner coats being worn. The Governor hopes that you will surely be able to attend.

Sincerely yours,

R.S.V.P.



INGERSOLL-RAND CO.

EXECUTIVE OFFICE

11 BROADWAY

NEW YORK

Aug. 29, 1921

AUG 30 1921

S. A. M.

J. Herbert Case, Esq.,
Deputy Governor,
Federal Reserve Bank,
15 Nassau St.,
New York.

Dear Mr. Case:-

I accept with pleasure Governor Strong's
kind invitation, extended to me in your letter of
the 27th, for dinner on Tuesday evening, August
30. at 7:30 p.m. at the Metropolitan Club, when
the directors of the Federal Reserve Bank will meet
Governor Norman and Sir Charles Addis.

Cordially yours,

W. L. Saunders
WLS

Unemployment
INGERSOLL-RAND CO.

EXECUTIVE OFFICE

11 BROADWAY

NEW YORK

Sept. 26, 1921.

Governor Benjamin Strong,
Employment Conference,
C/o Hon. Herbert Hoover,
Secretary of Commerce,
Washington, D.C.

Dear Governor:-

I sent you last week some papers from the Superintendent of our Works at Phillipsburg, N.J., and Easton, Pa., giving figures on the subject of unemployment.

I have just received further information from Mr. F.W. Parsons, General Manager of our Works at Painted Post, N.Y., and Athens, Pa. Mr. Parsons says:

"I have talked with a number of the manufacturers in this section and the general opinion is as follows:

The shops are employing about 50% as many men but in most cases the hours are less.

Of the men that are laid off 50 to 75% have secured work of some kind elsewhere.

Taken altogether there seems to be a small percentage who do not have some work.

There will be many more idle men later in the season when farm-building and road work slow up.

Most of the shops expect the present dull period to continue until next spring."

Yours very truly,

W. L. Parsons

Ingersoll-Rand Company

CHAIRMAN OF THE BOARD

SEP 23 1921

WERED

PHILLIPSBURG, N.J.

September 22d, 1921.

W.L. Saunders, Esq.,
c/o Ingersoll-Rand Co.,
New York City, N. Y.

Sub: UNEMPLOYMENT.

My dear Mr. Saunders:

I herewith attach copy of report on
the above subject about which you wrote me on Sept. 16th.

I trust that this will give you the in-
formation which you desire.

Yours very truly,

GMF/EFS

Enc.

George M. Forrest

General Superintendent,

INGERSOLL-RAND COMPANY.

September 22, 1921.

To- Mr. G.M. Forrest, General Superintendent.
From- Employment Department.
Subject- The Unemployment situation.

In accordance with your instructions to submit data on this matter, the writer has searched our own records and made numerous inquiries elsewhere in Easton and Phillipsburg, as a result of which he submits the following.

Total number employed by I.R.Co. Oct. 26, 1920 (Peak in 1920)	3507
Total number employed by I.R.Co. Sept. 17, 1921	1528
Difference in number employed between these dates	1979

We can definitely account for, when leaving here, to take other employment, leave the town or country, or physically unable to work,	589
--	-----

Leaving a total indefinitely accounted for, of,	1390
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(The three foregoing paragraphs pertain to the Phillipsburg, Easton and Cameron plants of I.R.Co.)

As far as we are able to determine former I.R. employees found employment as follows. (Approximate, based on vague statements in reply to inquiries)

In metal industries including local Railroad shops	80
Railroad work, outside of shops	100
Outside Contractors	175
Silk and Hosiery mills	300
Paper mills	25
Farms	150
In business for self and acting as agents	30

Total number securing employment after leaving I.R. Plants	860
--	-----

Leaving a total of former I.R. employees without employment. (Approximately)	530
---	-----

Respectfully Submitted,

Thos. E. Conway

Employment Department.

TEC/R.

September 28, 1921.

Dear Mr. Saunders:

Thank you very much for your note of the 26th which
contains some very interesting information, although only an
expression of opinion along exactly the line on which my own
thoughts have been turning.

Very truly yours,

W. L. Saunders, Esq.,
11 Broadway, New York.

BS/RAH

c) Charles Smith
Citizens National Bank
of Oneonta, NY
1921

Director
1919-1928

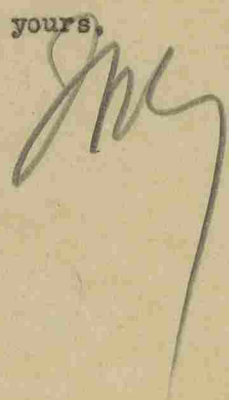
August 27, 1921.

Charles Smith, Esq.,
Citizens National Bank,
Oneonta, N. Y.

Dear Mr. Smith:

Referring to my telegram of to-day Governor Strong is giving a dinner to Governor Norman and Sir Charles Addis to meet the directors of the bank on the evening of Tuesday August 30 at 7:30 p.m. at the Metropolitan Club this city, Fifth Avenue and 60th Street. He desires me to express his hope that you will surely be able to attend. It will be rather informal, dinner coats being worn.

Sincerely yours,



R. S. V. P.

SERVICE	SYMBOL
Day Letter	Blue
Night Message	Nite
Night Letter	N L

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

WESTERN UNION

TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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

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

9HO SF 18

ONEONTA NY 9A AUG 29 1921

J HERBERT CASE

★ 358
DEPUTY GOVERNOR FEDERAL RESERVE BANK NEW YORK NY

TO
MY COMPLIMENTS/GOVERNOR STRONG AND ASSURANCE IT WILL BE A PLEASURE
TO BE WITH HIM TUESDAY EVENING

CHARLES SMITH

910A

TIME OF RECEIPT SHOWN
ON THIS MESSAGE IS
EASTERN STANDARD TIME

Nº 8920.

Citizens National Bank of Oneonta.

ATTENDED TO

AUG 30 1921

S. A. M.

Oneonta, N.Y. August 29th 1921.

Hon. Benjamin Strong, Governor,

Federal Reserve Bank, New York City.

Dear Governor Strong:-

I beg to acknowledge through the hands of Mr. Case, the receipt of your kind invitation to dine with you at the Metropolitan Club, on Tuesday evening at seven thirty, to meet Governor Norman of the Bank of England, and also Sir Charles Addis, and assure you it is a pleasure to accept the same.

Very respectfully yours,

CS/CW.

Charles Smith

RECEIVED
GOVERNOR'S SEC'Y.



AUG 30 1921

Nº 8920.

Citizens National Bank of Oneonta.

Oneonta, N.Y. August 29th 1921.

Mr. J. Herbert Case, Deputy Governor,

Federal Reserve Bank, New York City.

My Dear Governor Case:-

I beg to acknowledge the receipt of your telegram of
of invitation from Governor Strong to dinner on Tuesday evening, and
also your letter regarding the same, and replying to them would say
at nine A. M., this morning I sent you the following telegram,

"My compliments to Governor Strong
and assurance it will be a pleasure
to be with him on Tuesday evening."

I think this explains the whole situation and while thanking
you for the interest you have taken in the matter, I must assure you
it will be a real pleasure to meet these gentlemen.

Very respectfully yours,

CS/CW.

Charles Smith

d) Charles Augustus Stone
president (director 1926)
American International Corp

1916-22
president
Stone & Webster
(chairman in 1926)

director of FRB NY
1919-1923

1921

Stone & Webster

in 1921

August 27, 1921

Charles A. Stone, Esq.,
c/o American International Corp.,
120 Broadway,
New York, N. Y.

Dear Mr. Stone:

Governor Strong requests the pleasure of your company for dinner on Tuesday evening August 30 at 7:30 p.m. at the Metropolitan Club this city, Fifth Avenue and 60th Street, when the directors will meet Governor Borman and Sir Charles Addis. It will be rather informal, dinner coats being worn. The Governor hopes that you will surely be able to attend.

Sincerely yours,

R.S.V.P.

CHARLES AUGUSTUS STONE

120 BROADWAY

NEW YORK

ATTENDED TO

AUG 29 1921

AUG 29 1921

FEDERAL RESERVE BANK
OF NEW YORK

J. H. Case, Esquire,
Federal Reserve Bank of New York,
120 Broadway, New York.

Dear Sir:

In the absence of Mr. Charles A. Stone, I beg to acknowledge receipt of your letter of August 27th, inviting him, at the request of Governor Strong, to the dinner to be held at the Metropolitan Club on August 30th in honor of Governor Norman and Sir Charles Addis.

Mr. Stone left New York on Friday last for a three weeks' vacation in New England, and it will, therefore, be impossible for him to attend the dinner.

Very truly yours,

Mary T. Porter

Secretary to Mr. Stone.

e) Towne, H. R.
Chairman of Board
Yale + Towne
Mfg Co 1915-1921

directed by
H. R. Towne
1914-1919

Correspondence
1915-1921

Revised
H. R.
3/14/66

175

March 22nd, 1915.

My dear Mr. Towne:

I cannot begin to tell you how pleased I am with the certificate of stock of the Bank of the United States of America, which is a souvenir to be most highly prized.

It is interesting as to the bank, of course, but I presume that it has occurred to you that there is an additional interest in the fact that your grandfather was a stockholder in that institution and you are now a director in this one.

I could not think of letting you have it mounted, which I will do myself right away and have it hung in the office.

With many thanks for your generosity, I am,

Very truly yours,

Henry R. Towne, Esq.,
9 East 40th Street,
New York City.

BS Jr/VCM

THE YALE & TOWNE MANUFACTURING COMPANY

9 EAST 40TH ST. NEW YORK

OFFICE OF
HENRY R. TOWNE
—PRESIDENT
CHAIRMAN OF THE BOARD

May 13, 1915.

R.A. Jr.
MAY 18 1915

Mr. Benjamin Strong, Jr., Governor,
Federal Reserve Bank of New York,
62 Cedar St., New York City.

Dear Mr. Strong:-

This Company has an account in London with the National Provincial Bank, where at present we have a balance of about £3000. As we do not need the money at present and as it would cost us about 2% to transfer it here, we propose to leave it there until needed. It is probable also that the present moderate amount may considerably be increased.

Our London Manager informs us that the bank is not willing to accept this amount on deposit with interest unless we agree to certain formalities as to its withdrawal, which it might be difficult for us to comply with under war conditions.

Knowing your familiarity with matters of this kind, I write to ask if you can suggest any other and better way for us to arrange for a time deposit in London, subject preferably to cable transfer on 7 to 10 days' notice, or to withdrawal by draft on like notice.

Any information you can give me on this matter without undue trouble will be much appreciated.

Yours very truly,

Henry R. Towne.

Chairman of the Board.

HRT:AH

RECEIVED
MAY 14 1918
FEDERAL RESERVE BANK
OF NEW YORK
9 EAST 40TH ST. NEW YORK
THE YALE & TOWNE MANUFACTURING COMPANY

CHAIRMAN OF THE BOARD
HENRY R. TOWNE
PRESIDENT
OFFICE OF

Mr. Benjamin Strong, Jr., Governor,
Federal Reserve Bank of New York,
33 Cedar St., New York City.

Dear Mr. Strong:-

First National Bank of London will be pleased to
transfer the amount of \$2000.
As we do not need the money at present and as it would cost us about
\$2 to transfer it here, we propose to leave it there until needed.
It is probable also that the present rate of exchange may consider-
ably be increased.
Our London manager informs us that the bank is not willing to
accept this amount on deposit with interest unless we agree to per-
tain formalities as to its withdrawal, which it might be difficult
for us to comply with under war conditions.
Knowing your familiarity with matters of this kind, I write to
ask if you can suggest any other and better way for us to arrange
for a time deposit in London, subject preferably to cash the sum
on 7 to 10 days' notice, or to withdrawal by draft on London.
Any information you can give me on this matter will be much
appreciated.
Yours very truly,

Henry R. Towne
Chairman of the Board

HRT:AM

May 18th,
1915.

Dear Mr. Towne:

Reply to your letter of May 13th has been delayed on account of my absence last Friday and Saturday.

The situation in regard to interest on current balances in the London Joint Stock Banks is briefly as follows: In ordinary times, by agreement among themselves, the principal banks allow interest on balances which justify the payment of interest, at a rate which is $1\frac{1}{2}\%$ below the minimum discount rate of the Bank of England. This arrangement prevails, of course, only when the bank rate is effective. At the present time, the bank rate is 5% , and is very much higher than the market rate for discount, and I am informed that the joint stock banks, by agreement among themselves, are now allowing interest at the rate of 3% below the bank rate, viz: 2% per annum on accounts which justify the payment of interest.

The bank which is named in your letter has the reputation of being most punctilious and rather exacting in its requirements, and as conditions at the present time make it difficult for the joint stock banks to make a profit on accounts which bear 2% interest, I can fully understand their reluctance to convert your Company's account into an interest-bearing balance. In ordinary times, some of the joint stock banks are willing to allow special rates on money at short notice, say

May 18th, 1915.

To Henry R. Towne, Esq.

subject to withdrawal on seven days notice. Present conditions would, also, make accounts of that character unprofitable.

I have never had any direct dealings with the National Provincial Bank, and am unable to suggest any means for effecting the arrangements which you have in mind directly with them. If, however, you would care to make a special deposit with the London City and Midland Bank, Limited, of which Sir Edwin Holden is a managing director, this could be done by paying whatever amount you wish to transfer to that bank for credit of the Bankers Trust Company, in which event it would carry 2 % on that amount, or whatever rate was currently allowed by the London City and Midland Bank, Limited, until such time as you would care to withdraw it.

This is the only suggestion I am now able to make, but of course, it would involve reducing your account with your regular bankers, which you may prefer not to do. My surmise is, that the National Provincial Bank is reluctant to make the arrangement because of the very low rates for money in the London money market.

Very truly yours,

Henry R. Towne, Esq.,
Chairman of the Board,
The Yale & Towne Manufacturing Company,
9 East 40th Street, New York City.

BS Jr/VCM

175
THE YALE & TOWNE MANUFACTURING COMPANY

9 EAST 40TH ST. NEW YORK

OFFICE OF
HENRY R. TOWNE
PRESIDENT
CHAIRMAN OF THE BOARD

FILING DEPT. May 22, 1915.

MAY 22 1915

Mr. Benjamin Strong, Jr.,
Federal Reserve Bank,
62 Cedar St., New York.

FEDERAL RESERVE BANK

Dear Mr. Strong:-

Your letter of 18th inst. was duly received, and I thank you for the very complete information therein given in response to my inquiry.

We are still in correspondence with the National Provincial Bank, in the hope of making satisfactory arrangements with it. If unsuccessful in this effort, I may be glad to avail of your suggestion concerning the London City and Midland Bank, Limited.

Yours very truly,

Henry R. Towne

Chairman of the Board.

HRT:AH

January 17th, 1916.

Dear Mr. Towne:

Mr. Turner, who writes me the enclosed letter, is a first rate fellow, quite a friend of Mr. Treman's and a very good friend of the Federal Reserve Banks.

I have asked my brother, who is with Mr. Stettinius to let me know if there is any opening that he can suggest for Mr. Turner and I thought possibly you might be able to make some suggestion.

Will you be good enough to return the enclosures after reading?

Very truly yours,

Mr. Henry R. Towne,
9 East 40th Street,
New York City.

BS/Jr/VCM

178

THE YALE & TOWNE MANUFACTURING COMPANY

9 EAST 40TH ST. NEW YORK

OFFICE OF
HENRY R. TOWNE
CHAIRMAN OF THE BOARD

January 21, 1916.

R.A. Jr.
JAN 24 1916

Mr. Benjamin Strong, Jr.,
62 Cedar Street,
New York City.

Dear Mr. Strong:-

Your letter of 17th inst. was duly received, and the papers enclosed therewith relating to Mr. R. T. Turner, Jr., are returned herewith. The latter were so interesting that I referred them to the executive officers of this Company to ascertain if we have any position in which Mr. Turner's services could be utilized. They advise me, however, that this is not the case at present.

Yours very truly,

Henry R. Towne.

HRT:AH

Encls.

January 24th, 1916.

Dear Mr. Towne:

Your favor of the 21st inst., enclosing Mr. Turner's letter and memorandum is received today, and I am most appreciative of your interest in the matter. Should anything develop later on in this connection, it goes without saying that I shall be very glad to hear from you.

Very truly yours,

Mr. Henry R. Towne,
9 East 40th Street,
New York City.

VCH

700
175
HENRY R. TOWNE
LITCHFIELD, CONN.

June 23, 1916.

My dear Mr. Strong,

Until our meeting at the Bank yesterday I did not know that you were permitted to have visitors, and so have deferred calling on you. Now I fear it is too late, in view of your early departure for the West, and so must resort to this means of conveying to you ~~my~~ sincere sympathy at your enforced vacation, and my best wishes for your early and complete recovery. There is enough similarity in our temperaments to enable me to realize the trial it means to you to leave your work at this stage, but the fact

is that your work thus far has been
so well done, and stands so solid,
that you can feel assured that
no ground will be lost while you are
absent, especially with Mr. Tamm
in active charge of current details.

I understand that you will be
allowed the luxury of a secretary +
of moderate work a little later. To
my mind this is a great mitigation
of your sentence, and accordingly
I congratulate you, — only, don't
abuse the privilege.

As to the Bank I hope you will
let your thoughts turn to the future
rather than to the present, and
that you will feel assured that
your associates will continue to
conduct it on the lines so well es-
tablished by you.

With very good wish for your
health and happiness, I am

Sincerely yours,

Henry R. Towne.

175

November 8th, 1916.

Dear Mr. Towne:

I am divided between a feeling of satisfaction and guilt in the matter of your renomination and undoubted election as one of our directors. If my persuasion has had anything to do with your continuing with us, I am glad that it had that result even though, as I know is the case, you are making a sacrifice of your personal plans and inclinations for the good of the bank.

One matter in that connection, I purposely did not refer to in my former letter. During the past two years you have repeatedly heard me say at Board meetings that the Federal Reserve System and particularly the New York bank will not establish itself with its members and with the country generally until it has met the test of a real crisis. There are a great many evidences accumulating every day that such a situation will inevitably arise in the course of the readjustment following the conclusion of the war. When the time does come, the Federal Reserve Bank of New York will need seasoned and experienced directors who will not be swept off their feet by lack of courage or lack of knowledge of the affairs of the bank. You will then be a great aid to us in our councils. During the trying period of organization, most of our work was necessarily annoying detail and therefore uninteresting.

I will feel greatly relieved in knowing that you and Mr. Woodward will remain on our Board during the next three years,

To Mr. Towne.

Nov. 8, 1916.

particularly as long as there is an uncertainty in regard to my return. I am, therefore, writing this letter to express my personal and very warm thanks to you for responding favorably to our urgent solicitation.

With kindest regards, believe me,

Very sincerely yours,

Henry R. Towne, Esq.,
9 East 40th Street,
New York City.

BS/VCM

THE YALE & TOWNE MANUFACTURING COMPANY

9 EAST 40TH ST. NEW YORK

OFFICE OF
HENRY R. TOWNE
CHAIRMAN OF THE BOARD

January 17, 1917.

B.A. Jr.

JAN 25 1917

Mr. Benjamin Strong, Jr.,
4100 Montview Boulevard,
Denver, Colo.

Dear Governor Strong:-

While you have doubtless heard from others concerning the result of the visit of our Committee last week to Washington, I think you may like to hear briefly from me also.

The Committee consisted of Mr. Peabody, Mr. Woodward and myself as Chairman. We were heard by the full Federal Reserve Board, including Secretary McAdoo, who presided, and Comptroller Williams. The hearing lasted nearly two hours.

I began by proposing to review briefly the antecedent facts concerning the Bank of England matter, stating that my purpose was to see if both parties had a similar and correct understanding as to the facts. Very soon I was interrupted by the Secretary, who said that if I was preparing a basis for complaint or criticism of the Board, the latter would decline to entertain any such charge. In reply I assured the Board of our purpose to show all proper respect, and to recognize its responsibilities under the law, but that we hoped that the Board, on its side, would recognize our duties and the fact that we are responsible for the running of the New York Bank. This discussion was slightly warm, but helped to clear the atmosphere.

The first hour was occupied in discussing the Bank of England

matter, and something more than 50% of the talking was done by the Secretary, with occasional comments from Governor Hamlin. Of course this prevented a smooth presentation of my argument, but we all feel satisfied that our position was made clear, that, without admitting it, the Board realizes that a mistake was made, and that we are fairly safe against the occurrence of a similar mistake in the future. At the beginning the Secretary sent for a stenographer, stating that it was desirable to preserve a record of the meeting, but my impression is that it was chiefly to preserve a record of his own explanations and arguments in defense. It was made quite clear that Governor Hamlin was a sick man at the time of the incident, that he was acting under pressure from above, and that he did not fully realize the effect of what was done.

The latter part of the meeting was devoted to presenting our plea that correspondence from the Board to the Bank, relating to the executive work of the latter, should be addressed to its executive head, and not to the Federal Reserve Agent. In presenting this plea I stated that I had permission to quote Mr. Jay as concurring in it. Again there was considerable sparring in the way of explanations and excuses, but again we felt satisfied that we had made the desired impression. As to both matters the Secretary made no decision or announcement, but stated that the Board would "take them under advisement". As to the second, Mr. Treman informs me that since our visit to Washington, all letters relating to executive matters have been addressed to him.

On the whole, therefore, the Committee feels satisfied that its

3- Mr. Benjamin Strong, Jr.

visit was useful, and hopeful that it accomplished the desired results. We were entertained at luncheon afterwards at the Metropolitan Club, where both subjects were again reviewed, informally and pleasantly, and our confidence strengthened that we had been successful. Governor Hamlin especially assured me of his regret at the handling of the Bank of England matter, and that it would not have occurred if he had been in his usual health. While alone with him in the Club, I showed him his last letter to Mr. Treman (which was very curt, and highly improper), and suggested that he might like to have me hand it back to him. He was a little surprised at first, and hesitated, but on my renewing my statement that if he so desired I would leave it with him, he replied "Well, perhaps I had better take it", whereupon I handed it back to him.

We all miss you greatly at our meetings, but wish you to realize that our chief concern is that you devote yourself to getting well, and do not concern yourself too much with the affairs of the Bank.

Trusting that you are making steady progress towards recovery, and with kindest regards, I am,

Yours very truly,

Henry R. Towne.

HRT:AH

Denver, Colorado,
January 25, 1916.

[1917]

Dear Mr. Towne:

Your kind letter of January 17th reached me just as I was leaving for Colorado Springs for a few days' visit with a friend and, consequently, my acknowledgment has been delayed.

Nothing has afforded me so great satisfaction during my absence as the promptness and vigor with which our directors took up this matter of the announcement of our proposed banking arrangements in England, and I think I can understand almost as fully as though I had been present the various difficulties which you and your associates encountered when the matter was discussed in Washington. Your letter relieves my mind very much as to the future. It also helps to make clear the fact which I had surmised and of which I had been very cautiously advised by others -- that the pressure was very strong to make this announcement and that a rather serious situation must have arisen in other matters to have justified the Board in pursuing the course it did.

I am particularly delighted that you succeeded in establishing the principle that communications respecting the business of the bank should be addressed to the officers of the bank and not to the Federal Reserve Agent. This will greatly help our work in the future.

You, I am sure, realize that a great deal depends upon the success of these foreign negotiations. I regard them as of the utmost importance to the whole system. The fear that they had been jeopardized by this unexpected announcement was a great shock to me and almost

To - Mr. Towne.

January 25, 1917.

tempted me to return home at once for the purpose of taking the subject up with our correspondents abroad, even though it necessitated an immediate trip, but I am sure now that that will not be necessary, and look forward to concluding the arrangements successfully in London and, eventually, in Paris.

One feature of the matter has annoyed me terribly. It seems to have developed some irritation and criticism of Mr. Tremen. He has made a great sacrifice for the bank and for me personally and anything which is discouraging to him I cannot help but feel is a personal misfortune. Beyond everything, he is conciliatory and considerate and I hope this episode has not in any way shaken his determination to continue his work so long as it is necessary.

Thank you most warmly for your kind expressions in regard to my return. My progress has been most satisfactory and I am hopeful that this summer will see me back at work.

With warmest regards and many thanks for your letter, I am,

Very truly yours,

Henry R. Towne, Esq.,
The Yale & Towne Mfg. Co.,
9 East 40th St.,
New York City.

BS/CC

173
August 22, 1917.

Dear Mr. Towne:

This will introduce to you Mr. W. T. Chapman ~~X~~
of Washington, D. C., whom I know very well and who is
secretary to Mr. Warburg of the Federal Reserve Board.

I understand that Mr. Chapman has invented a
lock which he wishes to present for your consideration,
and will greatly appreciate the courtesy of an interview.

Very truly yours,

Henry R. Towne, Esq.,
9 East 40th Street,
New York City.

+149

March 5, 1918.

Dear Mr. Pearce:

Permit me to introduce to you the bearer of this letter, Mr. Henry R. Towne, President of the Yale & Towne Manufacturing Company, 9 East 40th Street.

Mr. Towne wishes to confer with you about a business matter, and I take great pleasure in introducing him not only as a personal friend for whom I have a high regard, but also as one of the directors of the Federal Reserve Bank.

Thanking you in advance for your courtesy in the matter, believe me,

Very sincerely yours,

Governor.

~~W. G. Pearce, Esq.,~~
President, American Brake
Shoe and Foundry Company,
30 Church Street,
New York, N. Y.

March 5, 1918.

Dear Mr. Cutler:

Permit me to introduce to you the bearer of this letter, Mr. Henry R. Towne, President of the Yale & Towne Manufacturing Company, 9 East 40th Street.

Mr. Towne wishes to confer with you about a business matter, and I take great pleasure in introducing him not only as a personal friend for whom I have a high regard, but also as one of the directors of the Federal Reserve Bank.

Thanking you in advance for your courtesy in the matter, believe me,

Very sincerely yours,

Governor.

Otis H. Cutler, Esq.,
Chairman, Board of Directors,
American Brake Shoe & Foundry Co.,
30 Church Street,
New York, N. Y.

173

March 5, 1918.

Dear Mr. Towne:

I was suddenly called to Washington yesterday and did not have time before leaving to write for you the letters of introduction to Messrs. Pearce and Cutler. I have written them here this morning, and you will find them enclosed herewith.

Trusting that you may be successful in your mission, believe me,

Very truly yours,

Governor.

Henry R. Towne, Esq.,
President, Yale & Towne Mfg. Co.,
9 East 40th Street,
New York, N. Y.

17
March 25, 1918.

Dear Mr. Towne:

*see 149
W. H. France*

The enclosed letter from the American Brake
Shoe & Foundry Company will explain itself.

Sorry the effort did not yield better results.

Very truly yours,

Governor.

Henry R. Towne, Esq.,
9 East 40th Street,
New York.

M/B

Enc.

77
GENERAL FILES
SEP 19 1921
FEDERAL RESERVE BANK
OF NEW YORK
September 19, 1921.

Mr. Henry R. Towne,
Yale & Towne Mfg. Company,
Stamford, Conn.

Dear Sir:

In order, if possible, to get a somewhat clearer view of the present situation as regards unemployment, I am anxious to secure some information as to the extent to which workers no longer reported on the pay-rolls of the industrial concerns found work in some other lines.

Several of our directors and one or two others have volunteered to institute a brief inquiry in their several concerns into just this question and to trace out as far as practicable just what has become of the men they have had to let go, just what they are doing and what percentage of them are now definitely or nearly without means of livelihood.

There is a great difference, of course, between this and just counting up how many have been dropped from employment rolls.

I should like, especially, an idea as to what percentage of factory employees have gone back to the farms, or to domestic service, or returned to foreign countries.

This information is for the conference on unemployment which is to be held in Washington next week and I should be very grateful if you could give me some sort of an answer by Friday of this week.

Believe me,

Very sincerely yours,

BENJAMIN STRONG,
Governor.

THE YALE & TOWNE MANUFACTURING COMPANY

9 EAST 40TH ST. NEW YORK

OFFICE OF
HENRY R. TOWNE
CHAIRMAN OF THE BOARD

Sept. 23, 1921.

Federal Reserve Bank of New York,
Mr. Benjamin Strong, Governor,
15 Nassau St., New York.

Dear Governor Strong:-

Your letter of 19th inst., addressed to me at our works at Stamford, Conn., reached me here on the 20th inst., and I had it telephoned at once to our President, Mr. Walter C. Allen, at Stamford, in the hope that he might be able to respond to your request. When here yesterday he informed me that he was unable to do this for the reason that, except in a few cases, we have no record of what has become of the employees we were compelled to lay off because of the present conditions of business. I appreciate the purpose for which you desired this information, and regret that we are not able to furnish it. Of course it would be of no value unless accurate and fairly complete.

With kind regards, I am,

Yours very truly,

Henry R. Towne.

Chairman

JV

THE YALE & TOWNE MANUFACTURING COMPANY

9 EAST 47TH ST NEW YORK

Sept. 23, 1921.



COPIES OF
HENRY R. TOWNE
CHAIRMAN OF THE BOARD

Federal Reserve Bank of New York
Mr. Benjamin Strong, Governor
15 Nassau St., New York

Dear Governor Strong:

Your letter of 19th inst., addressed to me at our works at Stamford, Conn., reached me here on the 23rd inst., and I had it telephoned at once to our President, Mr. Walter C. Allen, at Stamford. When in the hope that he might be able to respond to your request. When here yesterday he informed me that he was unable to do this for the reason that, except in a few cases, we have no record of what has become of the employees we were compelled to lay off because of the present conditions of business. I appreciate the purpose for which you desired this information, and regret that we are not able to furnish it. Of course it would be of no value unless accurate and fairly complete.

With kind regards, I am,

Yours very truly,

Chairman

14

f. T. F. Wheelwright

1927

W. T. 11. J. 30 M 7-26
FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
2:20 pm
JAN 25 1927

TELEGRAM

COMMERCIAL WIRE—INCOMING

TRANSLATION COPY

WIRE TRANSFER
DIVISION

ATTENTION

G. L. H.

DECODED _____
CHECKED _____
COMPANY _____

100WU RV 12 BR PALMBEACH FLO 150P JAN 25

G L HARRISON

YOUR EXCELLENT DOCUMENT HAS MY HEARTY
APPROVAL HOPE IT PRODUCES DESIRED RESULT

T. F. WHITMARSH

207PM

Read over telephone
to Mr. Rayburn
1/26/27
msc

J. Richard H. Williams
William & Peters Coal Co.

Director

1921-23

1921

August 27, 1921.

Richard H. Williams, Esq.,
c/o William & Peters,
1 Broadway,
New York, N. Y.

Dear Mr. Williams:

Referring to my telegram of to-day Governor Strong is giving a dinner to Governor Norman and Sir Charles Addis to meet the directors of the bank on the evening of Tuesday, August 30 at 7:30 p.m. at the Metropolitan Club this city, Fifth Avenue and 60th Street. He desires me to express his hope that you will surely be able to attend. It will be rather informal, dinner coats being worn.

Sincerely yours,



R.S.V.P.

WASHINGTON BUILDING
1 BROADWAY

New York City,

August 29th 1921.

AUG 29 1921

S. A. M.

GENERAL FILES
AUG 31 1921
FEDERAL RESERVE BANK
OF NEW YORK

J. H. Case, Esq.,
15 Nassau Street,
New York City.

Dear Mr. Case:

I beg to acknowledge receipt of your kind favor of the 27th, as well as your telegram, which was repeated to me at my home on Saturday evening. I have just this moment reached my office, almost twelve, on account of an important errand uptown.

I will be delighted to be present at the dinner tomorrow evening, and look forward to it with much pleasure.

Sincerely yours,

R. Williams

H. Woodward, William
President of the
Hansard National Bank
Director of
NY Bank
1914-1919
Correspondence
1915-1922

Briefed
AKK
3/14/66

January 11th, 1915.

BENJ. STRONG, Jr.
PERSONAL.

Dear Mr. Woodward:

We are expecting to dine to-night
at 7:30 at my apartment, 903 Park Avenue, and if
you return from Boston in time, I hope you will be
able to dine with us.

If you are not in time for dinner,
we will be delighted to see you after dinner.

Very truly yours,

William Woodward, Esq.,
9 East 65th Street,
New York City.

MAILING DEPT.

AUG 3 - 4 1915

FEDERAL RESERVE BANK

August 3rd, 1915.

My dear Mr. Woodward:

I am enclosing with this, copy of letter addressed to Secretary McAdoo exactly as mailed to him to-day, and hope that it fully meets with your approval. The only change consists in the addition of one paragraph on the last page with which I feel certain you quite agree.

Very truly yours,

Governor.

William Woodward, Esq.,
"The Cloisters,"
Ochre Point,
Newport, Rhode Island.

BS Jr/VCM-1

Dictated by Mr. Strong but
signed in his absence.

RECEIVED
AUG 10 1915 8 23 AM
FEDERAL RESERVE BANK
OF NEW YORK

Mr. Mendenhall
Aug. 9/15.
Newport.

Dear "Gov."

Yours of 3rd duly
rec'd + as I have been
very lazy, playing golf
bathing etc, I did not turn
my so-called mind to it
until the present. I think

it is O.K. & hope it will
have the desired effect?

Will probably be down
for the next meeting & in
the meantime I see you
are going to guarantee all
Mexican debts ?? Sir sampler
tyrannis? Yours etc.

J.W.

199

Aug. 10, 1915.

Dear "Gov":

You can't work that title on me without taking the consequences for, as you know, we share it.

Thank you for your note. I envy you the loaf; in fact, two days of last week, after a hot trip to Washington almost broke down all of my resolutions, I was tempted to cut loose for a few weeks.

I sincerely hope that the memorandum met with your approval. It has already done the trick as I saw Secretary McAdoo yesterday and there was no doubt whatever of his attitude. The Federal Reserve Board is holding a meeting here to-day to take action finally on this question of foreign credits and I believe the action will be absolutely favorable to our contention.

Our guarantee of Mexican debts, as you put it, is likely to prove one of the most interesting developments in dollar diplomacy yet witnessed on this continent. Circumstances alter cases and I presume that, if an administration and a good obligor is furnished for that poor distracted country, it will be up to us to furnish the money. How have the mighty fallen!

Thanking you again for your note and for no end of help on numberless matters, I am,

Very sincerely yours,

William Woodward, Esq.,
Newport, R. I.

BSJr/PE

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Estes Park, Colo., July 22, 1916.

Mr. William Woodward, Personal,
~~Hanover National Bank,~~
New York City.

Dear Mr. Woodward:

This is my first opportunity to write you since getting settled on account of the restrictions imposed upon me by an exceedingly conscientious Doctor. I have only been allowed until recently one-half hour a day for correspondence. After some arranging we now have a little office in one of the cottages connected with the hotel and I am gradually catching up with mail. The combined influence of a rather hard trip, hot weather and the change in climate and altitude set me back a bit but I think in another week or two I will be pretty well readjusted to the climate and able to take a little exercise. This is the most beautiful part of the country I have ever visited. The elevation is about 7500 ft. and it is surrounded by peaks that run all the way from 10000 to 14000 ft. On sunny days it is warm except in the shade and when there is a breeze. It is always cool at night and dust and perspiration alike are unknown. On the whole I believe I could not have come to a better place and in all likelihood will spend the winter here.

The men at the office are keeping me posted generally as to how matters are moving and I gather from their letters that Treman fits as comfortably as an old shoe. Had you and he not been available to relieve me between you, I either would not have left or else would have left with such uneasiness that I would probably have gone back again.

I have almost completed a memorandum in relation to the Bank of England matter. It proves to be a more formidable subject than I anticipated. When the draft is complete, I hope that you, Treman and Curtiss, as well as Jay if he has returned, go over it with a good deal of care and criticism and display no hesitation in making necessary changes. It should be submitted to the Board in Washington at as early date as convenient.

Observing the rather violent fluctuations in both reserves and interest rates in New York, I hope this period may prove the opportunity for us to demonstrate our real usefulness. It gives us an opportunity by maintaining a differential between endorsed and unendorsed bills to educate member banks when they are short of money or under in their reserves to endorse some of their bills and turn them in to us.

While one-eighth under ordinary circumstances may be a fair differential with rates where they now are, I do not believe we can accomplish much with our members in these early days of development at less than a differential of one-quarter of one per cent. When rates advance that differential will not be out of line.

Treman wrote me of the decision in regard to purchasing the one year 3 per cent. notes that were offered. I think it was wise. In the course of a few years our problem will be to dispose of excessive holdings of government bonds and notes, unless I am very much mistaken.

It would be a great pleasure to hear from you now and then. I would particularly like to get the benefit of your experience in dealing with the Board at Washington in connection with the Amendment to the Clayton Act. That was your handiwork and I am wondering whether after all it can be made cover the Hanover Bank-Union Trust Company situation. In any event, I hope you will write me when the spirit moves you and it will give me a great deal of pleasure.

With very best regards and many thanks for your help and friendship, I am,

Sincerely yours,

Y

B.S.

November 8, 191⁶

Dear Mr. Woodward:

Mr. Jay just writes me that there seems no doubt of your reelection, as well as that of Mr. Towne, as members of our Board of Directors and no news from the office has given me such satisfaction as this.

Let me repeat what I have just written Mr. Towne: The first two years of service in the bank were naturally annoying and uninteresting, and much time had to be devoted to matters of organization and detail. That part of the work is now pretty well cleaned up. What we have ahead of us nobody can prophesy with certainty, but every day seems to accumulate further evidence that the next few years will see readjustments of tremendous importance which may throw heavy burdens on the system. Those are the years where we will need experienced directors who will not be swept off their feet or lose their courage or lack the experience necessary for the bank's security.

It would really be a great misfortune if you and Mr. Towne retired at this juncture. So please understand that I am very much relieved and very much delighted that you both have been willing to sacrifice your personal preferences and consent to another term of service.

With warmest regards, believe me,

Very truly yours,

William Woodward, Esq.,
Hanover National Bank,
New York City.

BS/VCM
FMF

11 Nassau Street.

R.A. Fr.

NOV 17 1916

New York, November 13th, 1916.

199
W. W. Woodman

Dear Strong:

Yours of November 8th is at hand, and I appreciate and thank you for all that you say. I am still of the opinion that Class A. Directors, especially in Group 1, should rotate, but after much thought and considerable pressure I have agreed to run. I do not know how the election is coming on and have not asked, but naturally hope that it will go through all right.

I was guided principally in my decision by my wish to be of service to you at a time when you are not in the best fighting condition, and the fact that I felt that the suggested changes might not be wholly agreeable, or tend to maintain the organization which we have been building, and the ideas towards which we have been working. This is, of course, in full confidence to you.

I hope that you are doing well. Vanderlip reports that he was very much pleased to find you gaining rapidly as he thought, and I sincerely hope that it is continuing that way.

Things are dull here in a sense. There is of course the almost customary speculation and some very large loans every now and then. Then there is the working out of the contracts for shipments and some new orders, but from the routine banking

W. W. Woodman

11 Nassau Street.

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business the Banks are only "rolling" their money. I do not think it will be as active a Winter as last Winter, but the reason may be that we are more accustomed to it this year, and so it rolls more easily. The gold situation is a most interesting one. Some people talk of being alarmed at too much gold; I am not alarmed at that. The point to be alarmed at is the taking of too much credit by our own people. It is impossible to travel without seeing almost every mile the additional plants being erected; even the smallest plants are adding one or two sections, and on top of all of this they are crying protection on the inflated basis. It may be wiser to place an export tax in order to reduce matters to a basis where we can safely protect, but this is all in the problems of the future, and we must not worry about them too much as yet. Let me hear from you from time to time. *end* Treman is running along very smoothly and so are things in general at the Bank.

With best wishes, as always,

Yours very truly,

William Woodward.

Benj. Strong, Esq.,

4100 Mountview Boulevard,

Denver, Colorado.

199

November 17th, 1916.

Dear Woodward:

Your letter of November 13th has just reached me and has given me a great deal of pleasure.

Your decision to continue in the service has been a great relief to me and I believe will be shared by all the New York bankers who are gradually gaining confidence in the New York bank and its management. My own return is still too uncertain for me to build with confidence on its accomplishment.

I had a delightful visit with Vanderlip and Trumbull and it was a welcome change from the isolation ~~of~~ ^{and} ingrowing contemplation.

What you say about the gold situation expresses in a few words exactly the view that I hold. The danger lies entirely in expanding our domestic credits as a result of the gold imports. It is a great satisfaction to get this view from you for I know it means that you surely appreciate the importance of these foreign credits which some day can be handed back with thanks.

Things go along about the same with me and I am putting in the laziest kind of a time. The new house which I was fortunate enough to get is delightful in every way.

To Mr. Woodward.

Nov. 17, 1916.

I am spending some of my spare time with my twelve year old daughter taking French lessons. She has always spoken French very well and I must say that my struggles afford her a tremendous amount of amusement.

The doctor continues to make good reports of my progress but as yet is unwilling to commit himself in any way as to a possible date of return East.

Treman writes me that he hears there is a plan on foot to issue \$5 gold certificates. This is just about the worst thing they could do just now and if it looks serious, would you feel disposed to write McAdoo and point out the objections and what the consequences might be? How can we ship some hundreds of millions of gold back to Europe if we scatter it from one end of the country to the other?

With warmest regards,

Sincerely yours,

William Woodward, Esq.,
Hanover National Bank,
New York City.

BS/VCM

11 Nassau Street.

B.A. Jr.
JAN 2 1917

New York, December 27th, 1916.

Dear Governor "Ben":

Your Christmas card has just come in, and I send you in return my very heartiest good wishes, but it is, I hope, needless to send them at this time, as I think you know that you always have them and will continue to have them.

We have had a monkey and parrot time here for about three weeks, and every time things get to be better the F. R. B. at Washington seems to moisten a blanket and place it upon us, then when we get cold under that process they light a fire under us to warm our posteriors. It is ridiculous! The paternal attitude, coupled with the fear that someone will get ahead of them, does not set well and will ultimately bring them to grief if continued, because everyone will tire of it, not only those closely associated, but others as well. This last fiasco and breach of confidence was an outrage, and cannot be excused as far as I can see. We are to have a meeting this afternoon, and my general feeling at the moment is to put ourselves on record and protest. I think others will feel the same way, and I do not know just what the result will be.

This will all be past history by the time you receive this letter, and its sole object is to send you Greetings, but I diverge, as I know that you are interested in hearing various

11. Nassau Street.

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points of view.

The markets have sobered down and will undoubtedly come back from their spasm. Of course it has affected many specialties and will continue to do so, as the boys are finding out that some of the war brides will not have any children this year after all, and what may come in the future is speculative. We are likely to see a slight reduction in the price of commodities, not that the demand is not here, but in the wild uprush they probably have over-reached themselves to some extent and people are counseling a slowing down, which may result for a while. Of course it is impossible to estimate what may be the final values, in just so much as it is impossible to estimate the final destruction on the other side.

Jay is away and has not been well, but he will soon come to himself. Bronchitis has been rampant all over the City; I had it myself earlier in the year, and now everyone seems to have a touch of it. Treman is getting more and more used to things. We are having a little dinner to-night, which seven or eight of our neighbors are attending, and together with Treman and Curtis we are going to talk over various phases, particularly in regard to the amendments.

With best wishes in every way, I am,
Yours sincerely,

William Woodward

799

Denver, Colorado,
January 12, 1917.

My dear Woodward:

Your letter of December 27th just reaches me and I am so sorry that it was delayed, although possibly my reply is now a little more temperate than it would have been had I written you two weeks ago.

We are just now at a point in the development of the Federal Reserve System where tact and skill will be required to avoid the dangers of paternal and political management of the Reserve System from Washington on the one hand and of a possible disruption of the harmonious management of the System as a whole by reason of too great independence in the different units on the other hand. I think I am honest enough to realize that there is as much danger to be apprehended if New York should dominate the System as there is from a political domination in Washington.

But this Bank of England matter is a personal one to some extent which does not involve the broad question of policy of control. Had I been in New York when the Board violated confidence on December 26th, I would certainly have resigned and would not have hesitated to state my reasons for doing so. In explanation of this, let me explain to you in confidence how serious was the embarrassment to me and how nearly the action of the Board came to defeating what I believe will prove to be a great achievement. In my conversations with Lord Cunliffe it had been explained to him that our complicated machinery would necessitate the following procedure:

1st. An amendment to the Federal Reserve Act by Congress;

To - Mr. Woodward.

January 12, 1917.

- 2nd. Approval of our Board of Directors;
- 3rd. Consent by the Federal Reserve Board;
- 4th. Action by the directors of the other eleven Reserve Banks;
- 5th. Some consultation with and an opinion from the State Department.

All of this before we could act. Lord Cunliffe, therefore, determined not to take his own directors into his confidence until progress on this side justified his doing so. A letter from Deputy Governor Cokayne, received some months after my return, stated that Lord Cunliffe had determined to adhere to this decision until I advised him that we were ready to act, consequently the announcement found Lord Cunliffe entirely unprepared, all but three of his directors in complete ignorance, and you can realize how possible it was that the result of all of my work had been jeopardized. He had every right to feel that he had been very badly treated and that I was entirely unreliable and irresponsible. Another consideration was the status of my negotiations with the Bank of France. Those French bankers are timid and suspicious. I was unwilling to proceed as far with them as with Lord Cunliffe and have all along felt that the spirit of the arrangements with Lord Cunliffe contemplated first concluding matters with the Bank of England and then before any announcement was made, offer a substantially similar arrangement to the Bank of France. You will realize that in no other way could identical understandings be arranged, unless of course all three institutions were negotiating at the same time and place. That was the reason for the clause in the Bank of England memorandum, expressing the hope that a similar plan would be arranged between New York and Paris. Announcement of the London appointment before an offer was made to Pallain therefore jeopardized

To - Mr. Woodward.

January 12th, 1917.

arrangements in Paris just as it did in London.

Of course I want to be loyal to the System and finish the work, if my health permits, but I am not willing nor will I ever be willing to accept the position of subordination and lack of independence which is implied by this action of the Reserve Board's, but, feeling so confident that you and the others would feel as strongly as I do about it, I have done nothing in the way of making a direct protest to the Board and will not do so, at any rate without first consulting the bank.

Now as to the whole question of our relations with the Federal Reserve Board, I do not think we can afford to depart from the principle for which we have always contended -- that the bank is owned by the member banks of our district and its business must be managed by the directors and officers selected by those stockholders. So long as we comply with the law and the Board's regulations, keep them informed of what we are doing and continue to run the bank in a spirit of cooperation -- in fact of self-sacrifice for the welfare of the whole system, the Board has no ground for complaint.

The determination of how much we shall invest, what our rates shall be, what kind of bills we shall buy, what bills are good and what are bad, rests with the directors of the bank. Any attempt to interfere with that is an invasion of the rights of the directors and I think must be resisted at all cost, so long of course as we are complying with the law and with the regulations based upon the law.

The difficulty which has developed during the past few weeks is due to the intrusion into the policy of the System of other considerations than those having to do directly with the welfare of the Reserve Banks

To - Mr. Woodward.

January 12, 1917.

themselves. This must have led the Board to overlook the fact that without exception the policy of the New York Bank has been to make every sacrifice in order to strengthen and develop the System. This applies to our gold policy, to our policy in regard to the collection system, to our relations with the Clearing House, to our unselfish division of investments of all kinds and more particularly to the sacrifice of time which might have been devoted to strictly bank matters in order to aid in the preparation of regulations and the formulation of general policies.

So I hope the Board will not hesitate to make clear to the Federal Reserve Board that they cannot expect good men to serve as directors or officers of the Federal Reserve Bank of New York if their judgment and freedom is to be overruled, if their confidences are to be ignored and violated and if they are to be lectured like a lot of school boys.

Now that this is out of my system, let me thank you most heartily for the nice things you say in your letter. I am literally pining to get back, having that unfortunate temperament which thrives on scrapping. Rows I fear distress Treman, whereas, to my shame, they generally stimulate me and make life worth living. Possibly someone from the bank will be out here before very long and I can get in closer touch with what has been going on.

We are certainly going to have easier money for a time and I think you may count with certainty upon a further expansion of the bank position in New York and probably elsewhere throughout the country. Large loans in some form to the allies are inevitable and just as inevitably the result is a larger deposit and loan account, so I hope the program of amendments will be conservatively shaped and carried through and enable us to double

To - Mr. Woodward.

January 12, 1917.

our stock of gold ready for later use.

I am getting along pretty well just now, gaining a little in weight right along and the Doctor tells me that he wants me to play golf just as soon as the weather permits. He also is gradually coming to the conclusion that I might be able to go abroad in June, possibly taking another whirl at the western climate on my return.

Again, thank you many times for your letter, your good wishes and for your constant consideration of my wellfare.

Very sincerely yours,

William Woodward, Esq.,
11 Nassau St.,
New York City.

BS/CC

11 Nassau Street.

D.A. Fr.

JAN 25 1917

New York, January 17th, 1917.

Dear Strong:

At the Board meeting yesterday we had a long talk, and the Committee appointed to look up the Deputy Governor matter made a report. As you will remember, it consists of Mr. Peabody and myself. We recommended that Gov. Aiken, of the Boston Bank, be approached and offered the Deputy Governorship. This of course in friendly relationship to you and to Mr. Tremen, who expressed a wish to retire, as he considers that he has fulfilled his mission and it is now time to organize definitely.

Personally, I think it would be a very satisfactory solution of our problems and your problems if Aiken would take the Deputy Governorship at a substantial salary, you to remain Governor, and with the strength that he would add to the Bank you would feel that you could come and go as you wished, and remain with us and serve the system and carry out the ideas and dreams, which you have had and which all of us have had from time to time.

This seemed entirely agreeable to all members of the Board (it being a full Board meeting) with the exception of Mr. Palmer, who has no objection, but as he felt that it was somewhat new to him he reserved his decision. He is to speak to me inside

11 Nassau Street.

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of a day or so, and if you do not receive a telegram by the time this letter is in your hands, you will know that Mr. Palmer is entirely agreeable to the suggestion.

We all of us thought that it would be much more satisfactory from every point if you, yourself, would take the matter up with Mr. Aiken. He is your personal friend, and in a sense he would be coming at present in friendship to you, and you will work along together satisfactorily I am sure. So will you approach him and carry through the programme if it meets with your favor. It might be well, after you have mentioned it to him, to get him to speak to me or to Mr. Peabody, who are still authorized as a Committee.

I have just received your nice long letter about the B. E. matter, but as the above is the subject of this letter and I do not want to complicate it, I will stick to my text in a somewhat formal way.

With best wishes, I am,

Yours very sincerely,

William Woodward

Benj. Strong, Esq.,

4100 Montview Boulevard,

Denver, Colorado.

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Denver, Colorado,
January 25, 1917.

My dear Woodward:

Yours of the 17th reached me on Saturday before I left for a few days' visit at Colorado Springs, and, as I have heard nothing further as to Mr. Palmer's views, I assume that he is in accord with the other directors and, consequently, I am writing Governor Aiken as per enclosed copy of my letter, which I hope fully meets with your views.

Let me say quite frankly that I think you have come to a very wise decision indeed in this matter and one which I would hope might have been reached even without any regard for my own future in the bank. Undoubtedly every day makes my return more certain, as I am improving steadily and to the entire satisfaction of the Doctor. You will agree with me, however, that the effective management of the bank's affairs depends upon the health of the officers, and that will certainly be impaired and continue to be impaired if we do not build up our organization so as to avoid the dangerous pressure of the last two years.

So I am sure you will understand my pleasure and satisfaction, both as to the decision arrived at and the evidence of this further consideration of my own welfare.

You will notice that I have said nothing very definite about when changes should be effected and my reason for that is because of uncertainty as to your views and those of the officers. How would the following appeal to you? Arrange that Mr. Treman remain at the bank until the first of August, if he is willing to do so; have Aiken spend

To - Mr. Woodward.

January 25, 1917.

as much time as is convenient in New York between now and then; about the first of June have him go with me while he is still Governor of the Reserve Bank of Boston to London, Paris and possibly Amsterdam, to complete the arrangements with our prospective correspondents there, thus familiarizing himself with the subject on the ground and meeting the officers of the banks. This would put our negotiations in the form of being conducted by a Committee instead of individually by me. On returning from abroad have him elected Deputy Governor and take up his duties at the Bank.

The plan of sending a Committee abroad has been frequently discussed at our conferences and I have had some tentative talk with Aiken about it. He is by all odds the best man to go and I see many advantages in the arrangement.

Many thanks for your letter, which I deeply appreciate.

Very truly yours,

William Woodward, Esq.,
Hanover National Bank,
11 Nassau St.,
New York City.

BS.CC.

CLASS OF SERVICE	SYMBOL
Day sage	
Day er	Blue
N Message	Nite
Night tter	N L

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

WESTERN UNION



TELEGRAM

NEWCOMB CARLTON, PRESIDENT

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

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

RECEIVED AT 17 E. PIKES PEAK AVE., COLORADO SPRINGS, COLO.

A33D HS 70 BLUE 5 EX

CO NEWYORK CITY JAN 30 1917 VIA DENVER COLO JAN 31

BENJ STRONG

51

ANTLERS HOTEL COLOSPGS COLO

AM GREATLY EXERCISED OVER PROPOSALS TO PAR MEMBERS CHECKS DRAWN
ON ONE FEDERAL RECEIVABLE AT A SECOND FEDERAL ACTION SEEMS
IMMINENT AND THIS IS THE SUBTLE FORM OF CREDIT THAT
WE PROTESTED AGAINST MORE THAN A YEAR AGO SOMETHING SHOULD
BE DONE TO PREVENT THE PUTTING INTO EFFECT OF THIS
IDEA AND I AM GOING TO DO MY BEST BUT
THAT IS OF LITTLE AVAIL

Answered from Colorado
Springs and retained
no copy.

WILLIAM WOODWARD

BS.

X
S.F.

26 hrs.

60 hrs.

El Paso

+

24 hrs.

X Dallas
12 hrs.

96 hrs
26
60

199

Denver, Colorado,
March 23, 1917.

PERSONAL.

FILING DEPT.

MAR 11 1917

FEDERAL RESERVE BANK

My dear Woodward:

I should have written you earlier in regard to Alfred Aiken's visit with me in Chicago but, to tell you the truth, for the moment I overlooked the fact that the matter of our personal organization had been referred to a committee, and so wrote Mr. Treman.

It will be impossible for us to count upon getting Aiken, at any rate for some little time to come and, as I wrote Treman, I doubt if he would feel justified in making the personal sacrifices that would be involved except it were an emergency and more particularly in case I were unable ever to return.

The increasing business of the bank will undoubtedly cause you and others to feel obligated to develop the organization upon a more permanent basis and of course I would like to see that done just as promptly as possible and would particularly like to assist in bringing it about. On the other hand, there is not the slightest doubt in my mind but I will be back this summer and probably early in June. If you and your associates feel willing and Mr. Treman is about to run matters along without making definite arrangements until my return, I believe it will be by far the best thing to do. Failing that, if the directors are positive that we should go ahead or if Mr. Treman finds it impossible to continue, I think the matter is of sufficient importance to justify our having a meeting at the nearest convenient point, say Chicago. There are many things in connection with the organization which I think should be very clearly stated

To - Mr. Woodward.

March 23, 1917.

to you before any plan reaches an advanced stage, either for getting someone outside of the organization or for rearranging the present official staff. I am sure that you and the others are convinced that I have no thought in mind except the real interests of the bank and whether I return in June or later, or not at all, you may be sure that my recommendation will be the same in either case.

Mr. Delano is here just now and, naturally, we have discussed this matter at some length. He will be back in Washington before very long and I, therefore, take the liberty of urging most earnestly that no decision be arrived at without you have opportunity first to discuss the matter with him, even though the meeting in Chicago does not prove to be practicable.

You may be sure that I am taking this opportunity to have a frank talk with Mr. Delano about some of our recent difficulties and I am confident that when he returns to Washington it will have some good effect and result in eliminating some of the difficulties that have recently arisen.

As for my own doings, they are about as usual except that I have joined the Country Club, bought some golf clubs and next week hope to start playing golf - all under Dr. Sewall's directions. As the best indication of my behavior, I always report my weight which is now about 155 pounds, and means that I have gained 26 pounds since coming West; the fact is that I have reached that stage where my clothes are no longer comfortable and I am seriously contemplating buying some larger size collars.

To - Mr. Woodward.

March 23, 1917.

This noon Delano and I are meeting the local National Bankers at luncheon and I suppose we will engage in mutual adulation and quite a little brag.

Once more let me take the opportunity of telling you how deeply I appreciate your personal interest and devotion to the affairs of the bank during my absence and your good help in my personal arrangements, concerning which I feel oppressively guilty of having inconvenienced everybody.

With warmest regards,

Sincerely yours,

William Woodward, Esq.,
Hanover National Bank,
New York City, N. Y.

BS/CC

11 Nassau Street.

New York, March 27th, 1917.

Dear Strong:

Your letter of the 23rd has just come in, and I heartily reciprocate everything you say. I only hope that your improvement will continue and that you will be well enough to come on, even though it may be temporarily or in whatever way you and your Doctors see fit. Don't forget that the descent from the high altitude should be as carefully made as the ascent.

Mr. Peabody and I are both for letting the matter rest until June--June is nearly here. There is no reason for haste that I can see. Financial matters are very quiet. Everybody is waiting and strengthening themselves. There have not been many new undertakings for a long time with the exception of the various Government loans, and there is lots of money around. The organization is in condition to take care of whatever may come up from its members' point of view, and I am quite sure that Treman is willing to stay on until June or thereabouts, but of course it is a problem that we must settle, and you doubtless want it settled more than anybody else does.

There is little to add at the moment. We are all waiting for the 2nd of April. Everyone is turning over in their mind just what they are to do, and wondering how and where they

11 Nassau Street.

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can be of service, but by the time this reaches you we shall all know more than we do at the moment. This is merely to acknowledge your letter, and to repeat the hope that you will constantly grow stronger and more able to undertake what you are planning.

With very kind regards and best wishes, as always,

I am,

Yours sincerely,

William Woodward

Benj. Strong, Esq.,

4100 Montview Boulevard,

Denver, Colorado.

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June 29, 1917.

Dear Mr. Woodward:

Many thanks for your kindness in sending
me that fine picture of yourself, and my assurances
that it is greatly appreciated.

Very truly yours,

William Woodward, Esq.,
11 Nassau Street,
New York City.

E. HAYWARD FERRY, Vice Pres.
SAMUEL WOOLVERTON, Vice Pres.
JOSEPH BYRNE, Vice Pres.
CHARLES H. HAMPTON, Vice Pres.
HENRY P. TURNBULL, Vice Pres.
WILLIAM E. CABLE JR., Cashier

WILLIAM WOODWARD, President

CAPITAL \$ 3,000,000.
SURPLUS & PROFITS \$ 17,000,000.
No 1352

J. NIEMANN, Asst Cash.
WILLIAM DONALD, Asst Cash.
GEORGE E. LEWIS, Asst Cash

Foreign Department
WM. H. SUYDAM, Manager
ROBT. NEILLEY, Asst Manager

THE HANOVER NATIONAL BANK

OF THE CITY OF NEW YORK.

NASSAU & PINE STS.
NEW YORK

September 23rd, 1918.

Dear Gov. Strong:

This is to say that I will take
pleasure in meeting you at the Hotel Plaza on the
evening of September 24th to have dinner with the
Secretary, and to attend the mass meeting thereafter.

Thanking you, I am,

Very truly yours,

William Woodward.

Gov. Benjamin Strong,
Chairman Liberty Loan Committee,
New York, N. Y.

November 18, 1919.

Dear Mr. Woodward;

The first thing that I did on reaching Washington was to develop a persistent hemorrhage of the nose which lasted about thirty-six hours, and made it quite impossible to think of leaving Washington, or in fact to get very far away from the Doctor's office. He finally stopped it, but only after heroic treatment.

I tried to reach you by telephone at Bowie, but was told that there was no such number as the one you gave me, and after a number of fruitless efforts I was obliged to call my secretary at New York and ask him to get word to you through your office.

Won't you express my regrets to Mrs. Woodward, and particularly that I was unable to send you word more promptly and directly. Possibly you will be good enough to invite me some other time.

Very sincerely yours,

Mr. Wm. Woodward,
c/o Hanover National Bank,
New York City.

11 Nassau Street.

P. A.
JUN 15 1921

June 14th, 1921.

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

Dear Gov. Strong;

Yours of the 13th instant is at hand, and I enclose to you my check for \$23.55 as requested. No acknowledgment is necessary.

Will you kindly inform me at your convenience whether this amount is deductible under the Federal Income Tax Law Blank Heading, Section K, Sub-division 13, or whether it should be placed under Line 23 of Section Q, and if neither is correct, should special application be made on Blank Form No. 52313 (H--L).

Yours very truly,

William Woodward

PERSONAL

June 13, 1921.

My dear Mr. Woodward:

We have only within the last few weeks been able to conclude the final accounting of the expenses of the various Liberty loans, and determine to what extent, if any, expenditures made by the organization could not be reimbursed by the Treasury under existing law, or rules of the Department. We find that the total amount of such items that cannot be reimbursed is \$2,535.97. Of this sum, the Federal Reserve Bank is able to absorb \$2,229.74. The remainder, \$306.23, I have paid personally.

The Liberty Loan Committee passed a resolution, agreeing personally to assume certain charges, up to a limited amount, which as I recall was \$1,000. If the members of the committee care to pay their respective shares of this sum, the amount of each committeeman's proportion will be \$23.55.

Had these operations been conducted since the passage of the Volstead Act, it would not have been necessary to ask the committee to make any contribution.

Yours very truly,

William Woodward, Esq.,
5 Nassau St.,
New York, N. Y.

BS:MM

June 15, 1921.

My dear Mr. Woodward:

I thank you for the remittance of \$23.55
enclosed in your favor of June 14.

Yours very truly,

William Woodward, Esq.,
11 Nassau St.,
New York, N. Y.

GB:MM

February 9, 1922.

Dear Mr. Woodward:

My friend, Mr. R. L. Van Zandt, who was formerly Governor of the Federal Reserve Bank of Dallas, is looking for a position with some New York bank. He has had a wide experience in country banking. All of the circumstances surrounding his leaving the Federal Reserve System, I can explain to you in case you are looking for a man of his type. I am led to write to you because some time ago you mentioned that you needed men of just that type in the Hanover, and this may be an opportunity to get the man you want.

Yours very truly,

William Woodward, Esq.,
President, Hanover National Bank,
New York, N. Y.

BS.MM



COLLINGTON
MD



BOWIE
MD

B.S.
Belair

Thursday
7/16/22

Dear Joe-

Thanks for your letter re
Van Zandt. I know of him -

However, it was a good long
time ago that we talked about
this matter & since then we are
pretty well fixed. Many thanks,
& I hope you are feeling OK.
Very Sincerely,
William Woodward

To Clarence M. Woolley

director

1922 -

1922

Chairman

American Red Cross

October 11, 1922.

Dear Mr. Woolley:

I am enclosing the admission card to the Testimonial Dinner being given by the New York City Committee of the National Budget Committee, to General Dawes. Mr. Case, who is acting as substitute for Governor Strong ^{our} as host, had hoped to have three of our directors present at the table of twelve which Governor Strong has engaged. Today, however, I learned from the two others than yourself, that they would find it inconvenient to attend. Messrs. Case, Kenzel and Sailer, and eight of our senior officers will be present, however, and we are all looking forward with a great deal of pleasure in having you with us. I thought, however, I would let you know how the party was shaping up as, in view of the fact that you would not have the pleasure of dining with some of your fellow directors, you might have another engagement which you would prefer to accept. If so please do not hesitate to let me know.

Very truly yours,

Mr. Clarence M. Woolley,
104 West 42d St.,
New York, N. Y.

P. S. Mr. Case suggested that dinner jackets be worn.

J. Young, Queen D
director

1923-1940

Chairman: General
Electric Co 1922-1939
& Radio Corp of America
1919-1929

Conspicuous 1924-1928

COPY—For

Ben Strong

GENERAL ELECTRIC COMPANY

DATED LONDON, MAY 17, 1924

YOUNG

GENETRIC

GIVING US MUCH PUBLICITY AS POSSIBLE YOUR STATEMENT WHICH HAS
CREATED GREAT INTEREST HERE STOP RE BANK HAVE SEEN SCHACHT AND
AM SENDING AUDITOR AND LAWYER BERLIN TO EXAMINE NEW LAWS STATUTES
AND ACCOUNTS STOP SHALL FOLLOW PERSONALLY AS SOON AS MATTERS
SUFFICIENTLY PREPARED STOP CAN YOU SUGGEST ANYONE TO SERVE AS
AMERICAN MEMBER OF BANK BOARD IF NOT WILL ASK JAY IF HE KNOWS SUITABLE
AMERICAN RESIDING PARIS STOP PRESUME AGENT REPARATION PAYMENTS WILL
BE AMERICAN AND THEREFORE BANK COMMISSIONER MUST BE OF OTHER NATIONALITY

KINDERSLEY

Dear Mr. Young:

Have you any suggestion?

Owen D. Young.



COMMUNICATIONS SECTION
RECEIVED MAY 18 1924

COPY-For

Ben Strong

FEDERAL ELECTRIC COMPANY

DATED LONDON, MAY 17, 1924

YOUNG

GENETRIC

GIVING US MUCH PUBLICITY AS POSSIBLE YOUR STATEMENT WHICH HAS
 CREATED GREAT INTEREST HERE STOP RE BANK HAVE BEEN SCHACHT AND
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 AMERICAN RESIDING PARIS STOP PRESUME AGENT REPARATION PAYMENTS WILL
 BE AMERICAN AND THEREFORE BANK COMMISSIONER MUST BE OF OTHER NATIONALITY

KINDNESS

Dear Mr. Young:

Have you any suggestions?

Owen D. Young.

MAY 21 1924



RECEIVED BY GOVERNOR'S SECY

797.2
Dawes Plan

August 27, 1924.

My dear Miss Morrison:

I would very greatly appreciate your courtesy in sending the following message in code to our Mr. Pierre Jay in care of Mr. Owen D. Young:

"Shall reply after consulting Crissinger and committee tomorrow. Hope to arrange but suggest naming date of return more definitely."

Thanking you in anticipation, I am,

Yours very truly,

Miss L. V. Morrison
Secretary to Mr. Owen D. Young
General Electric Co.,
120 Broadway, New York City.

LONDON AUGUST 5, 1924.

797.2
Dawes Plan

STRONG HAVE TALKED WITH MONTAGUE NORMAN WHO FEELS SUCCESS OF PLAN IS AS
UNCERTAIN TODAY AS TWO WEEKS AGO BUT FOR DIFFERENT REASON PRINCIPALLY
DIFFICULTY OF LOAN UNDER EXISTING CONFERENCE AGREEMENT ESPECIALLY BECAUSE
POWER STILL LEFT IN REPARATION COMMISSION INITIALLY TO DECLARE DEFAULT STOP
HE THINKS AFTER SUCH DECISION EVEN THOUGH _____ BY APPEAL GERMAN
FINANCIAL DISTURBANCE WOULD BE SERIOUS STOP PERSONALLY I AM MUCH MORE
OPTIMISTIC BECAUSE I BELIEVE MOST OF DIFFICULTIES WHICH MONTAGUE NORMAN
NOW OURSELVES CAN BE TAKEN CARE OF WHEN DEFINITIVE LOAN IS NEGOTIATED WITH
THE GERMANS AND REPARATION COMMISSION STOP PRESSURE PUBLIC OPINION EVERYWHERE
WILL THEN BE VERY GREAT BOTH BANKERS AND COMMISSION TO REACH SATISFACTORY
AGREEMENT SITUATION HERE WILL BE MUCH INFLUENCED BY ATTITUDE OF GERMANS
WHICH WILL PROBABLY BE DISCLOSED TOMORROW STOP ASSUME YOUR CONDITION(S)
TODAY MORE URGENTLY JUSTIFY(IES) ACTION THAN TWO WEEKS AGO STOP IF BOARD
THINKS HOME CONDITIONS REQUIRE IMMEDIATE ACTION I (WE) AGREE ALTHOUGH
CONDITIONS HERE ARE NOT AS GOOD AS I HAD HOPED OR AS SUPERFICIAL ACCOUNTS
INDICATE

797.2
Power Plant

August 4, 1924.

Dear Miss Morrison:

I would very greatly appreciate your courtesy in sending the following dispatch in code to Mr. Owen D. Young:

"It looks as though the action which we have postponed for two weeks should be taken this Thursday. Have you any views. Strong."

You will, of course, realize the confidential nature of this communication and safeguard it from becoming known in your office.

Thanking you in anticipation, I am,

Yours very truly,

Miss L. V. Morrison,
Secretary to Mr. Owen D. Young,
General Electric Co.,
120 Broadway,
New York City.

BS.MW

120 BROADWAY, NEW YORK
ROOM 2058

797.2
Dawson Plan

OWEN D. YOUNG

July 21, 1924.

ACKNOWLEDGED

JUL 21 1924

R S

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

Dear Governor Strong:

I quote below message from Mr. Young
which came in code on Saturday too late for transmittal to
you.

"Private and Confidential for Ben Strong.
I am in favor of rate reduction as suggested
but I urge that no action be taken earlier
than the thirtieth. The situation here is not
hopeful. Stop. We should know within a week
whether we face a constructive program or a
breakdown. Have seen Montague Norman who is
sending you direct his message which I have not
yet seen."

Yours very respectfully,

R. J. Morrison

LVM

797.2
Dadley Plan

July 17, 1924.

Dear Miss Morrison:

I would very greatly appreciate your courtesy in sending the following dispatch in code to Mr. Owen D. Young:

"Press dispatches give impression of undercurrent of divergent views between two principal parties which might defeat or delay adoption of plan stop Conditions here as to credit and public feeling are most favorable we have had since armistice for successful loan and subsequent cooperation looking to return to gold standard along lines of our recent discussions stop Speaking only for myself I feel that those conducting negotiations should realize that these favorable conditions may be jeopardized if disputes and delays throw doubt upon the good will with which the settlement is undertaken whatever its form may be stop We are contemplating recommending another rate reduction next or following week which is justified by local conditions but would first like your own views as to outlook on other side stop Suggest talk with Norman

Strong "

You will, of course, realize the confidential nature of the communication and safeguard it from becoming known in your office.

Thanking you in anticipation, I am,

Yours very truly,

Miss L. V. Morrison,
Secretary to Mr. Owen D. Young,
General Electric Co., 120 Broadway,
New York City.

WIRELESS

797.2
Dawson Plan

July 10, 1924.

Young

Thanks for message Please consider following

(1) The integrity of the plan in the last analysis depends upon maintaining the value of new currency and this in turn depends upon the kind of control exercised over the general operations of the bank and the management of transfers so I attach great importance to the character of the appointments controlling those matters and to the maintenance of the principle that the currency system shall be established as soon as possible on a gold basis and from the outset maintained at parity with gold If any technical points arise in this connection I hope you will cable me and I will burn the wires

(2) The discussion of the supremacy of dollars and sterling is liable to confuse the main point and breed dissention That subject will solve itself by the return of sterling to par which is rapidly becoming an obvious necessity If England and Germany accomplish that the way is then prepared for a program along the line of our Washington discussion

(3) Appointments to important positions should give regard both to the security of the loan and to political prejudices in Europe where antagonism against the so-called money interests should be minimized These are my principal suggestions

Success to your efforts

Strong

797.2
Darius P. Allen

Thursday

17 EAST 80TH STREET

Dear Ben,

I was about to send
this cable yesterday, when it struck
me that I wanted you to see it
first. So I had it in my
pocket last night - One thing
here so interesting that I forgot.

Has a bully time. Will you
phone me a word what you think
of my cable? Your always
canceled.

Indicate service desired:

URGENT	
STRAIGHT	
WEEK END	
DAY LETTER	
NIGHT LETTER	

Date, March 12, 1924.

CABLE DEPARTMENT:

Please send the following telegram to:
cableThis message should be tested
should not797.2
Dawson PlanConfidentialOwen D. Young,
Ritz Carlton,
Paris.

I understand Dr. Schacht is in Paris Is it not important to point out to him importance of resting his credit bank on stable gold instead fluctuating sterling Incidentally it would be invaluable advantage for American discount market if as a result of Americas entering the field now substantial portion future German gold reserve were invested in dollar acceptances England realizes that and makes sacrifices to preserve predominance Sterling market. Could not America be brought into the first line right now pari passu with British banks? Pardon this cable but am frankly alarmed at thought that we may miss this unique opportunity for putting America's discount market on the map Kindest regards

and complete for position as world banking center

Paul M. Warburg.

GENERAL ELECTRIC COMPANY
120 BROADWAY, NEW YORK

OWEN D. YOUNG
CHAIRMAN OF THE BOARD

797.2
Dawson
February 29, 1924.

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

Dear Mr. Strong:

The following radiogram was received
by this office from Paris dated February 28th addressed
to you:

"FOR BENJAMIN STRONG MESSAGE RECEIVED AND
VERY SORRY BUT OF COURSE I ACCEPT AND
THANK YOU FOR ALL YOUR EFFORTS SIGNED
OWEN YOUNG"

Very truly yours,

L. V. Marison

July 23, 1925.

Dear Mr. Young:

Here is a letter I got from Strong a couple of days ago which I forgot to show to you to-day. I think you might be interested to read it before you go away.

Hoping you will have a very successful, and I hope very enjoyable trip, I am,

Sincerely yours,

Owen D. Young, Esq.,
120 Broadway, New York City.

July 25, 1925.

Dear Mr. Young:
There is a letter I got from Stross a couple of days ago
which I want to show to you to-day. I think you might be in-
terested in it before you go away.
Thinking you will have a very successful, and I hope very
enjoyable trip, I am,

Sincerely yours,

Owen D. Young, Pres.,
120 Broadway, New York City.



Dr. Schacht

120 BROADWAY, NEW YORK
ROOM 2558

October 28, 1925.

ack 10/30/25

My dear Governor Strong:

I regret very much that I can not come to your dinner to Dr. Schacht on Thursday evening at the Links Club. I had supposed that the plan was that we were to meet him at luncheon on Thursday. I have an engagement of long standing to speak to the Electrical Manufacturers Club on Thursday evening, and as their meeting is to be held at the Westchester Biltmore Country Club, I can not possibly come to you. I regret this deeply because I have looked forward to a dinner of exactly this kind given to Dr. Schacht.

Very sincerely yours,

David G. Freer

Governor Benjamin Strong,
33 Liberty Street,
New York City.

RECEIVED
GOVERNOR'S OFFICE

OCT 29 1925 12 06 PM

October 30, 1925.

My dear Owen:

I am sorry indeed you could not be with us on Thursday evening, and I appreciate your writing me as you did.

The change in the plan to have Dr. Schacht meet our directors was occasioned by the fact it was necessary for him to see the Secretary of State in Washington on Thursday morning. So on rather short notice, we had to make a dinner party of it.

However, as Dr. Schacht will be here until about the fifteenth, I am hopeful that you and he and I can have a quiet dinner together, with opportunity for a chat; possibly at my apartment. He will return from Chicago by a week from Monday, when I, too, will be back from Washington. Have you a free evening that week which we might hold tentatively?

With best regards, I am

Faithfully yours,

Mr. Owen Young,
120 Broadway,
New York City.

(signed for Governor Strong
in his absence)

120 BROADWAY, NEW YORK
ROOM 2058

OWEN D. YOUNG

November 2, 1925

My dear Ben:

A week from Monday is the ninth. I can be in town on that evening and on Friday evening, the thirteenth. The intervening days I am obliged to go out of town as I have to speak in Syracuse and Worcester, and it will not be physically possible for me to get back here and meet any appointments and those speaking engagements. There is a bare possibility that General Dawes may be here on Friday evening, the thirteenth, and that he will stay with me. If so, it might be interesting for you and Dr. Schacht to have dinner with me at my apartment that night. I will know probably on my return from the country on Thursday of this week what the General's plans are and then I will write you again or let you know at the Board meeting.

Yours very sincerely,



Mr. Benjamin Strong,
33 Liberty Street,
New York City.

November 2, 1925

100 Broadway New York
Room 2012

EDER

MAIL ROOM

NOV 4 1925 9 50 AM

RECEIVED
GOVERNOR'S OFFICE

My dear Sir,
A week from Monday is the ninth. I can be in town on that evening and on Friday evening, the thirteenth. The intervening days I am obliged to go out of town as I have to speak in Syracuse and Worcester, and it will not be physically possible for me to get back here and meet my appointments and those speaking engagements. There is a bare possibility that General James may be here on Friday evening, the thirteenth, and that he will stay with me.

If so, it might be interesting for you and Dr. Johnson to have dinner with me at my apartment that night. I will know probably on my return from the country on Thursday of this week what the General's plans are and then I will write you again or let you know at the Board meeting.

Yours very sincerely,

Mr. Benjamin Strong,
33 Liberty Street,
New York City.

November 6, 1925.

My dear Owen:

Your note of November 2 reached me here in Washington when I was tied up in a conference. And this is really a confirmation of what was telephoned to you this morning from New York.

Owing to Dr. Schacht's absence in Chicago, and my absence here, it is impossible for me to send a reply until Monday, when I shall do so by telephone.

I understand that Monday is now out of the question in any event, so if we can dine on Friday the thirteenth it would suit me splendidly.

I know you will understand and excuse this belated reply.

Sincerely yours,

Mr. Owen Young,
120 Broadway,
New York City.

Definite arrangements for Friday
this morning will advise.
MSB

COPY OF TELEGRAM

1927 JAN 5 PM 1202

BM BILTMORE NC 1030A

OWEN D YOUNG

GENERAL ELECTRIC COMPANY 120 BROADWAY NEW YORK NY

REPLYING TO WIRE RECEIVED FROM CASE WHILE WE HAVE NOT HEARD WHAT
CLARENCE LEARNED FROM HIS VISIT TO WASHINGTON YESTERDAY FOR
PURPOSE OF DISCUSSING PROPOSAL THAT HE FILL FIRST VACANCY
HARRISON AND I BOTH AGREE THAT IT WOULD BE SPLENDED IF YOU WOULD
ACCEPT THEIR PROPOSAL STOP OUR ONLY FEAR IS HOWEVER THAT IT
WOULD BE SO SATISFACTORY AS TO ENCOURAGE THE BOARD FURTHER TO
DELAY FILLING FIRST VACANCY STOP CASES TELEGRAM INDICATES THAT
BOARD BELIEVES THEIR PROPOSAL TO YOU WOULD FACILITATE MUTUALLY
SATISFACTORY ARRANGEMENT CONCERNING FIRST VACANCY WHICH THEY SAY
SHOULD BE FILLED BY SOME ONE BETTER KNOWN STOP IN VIEW OF THIS
INFERENCE HOPE THAT YOU WILL BE ABLE TO CONVINCED BOARD OF WISDOM
OF A COMBINATION OF THEIR PROPOSAL AND OURS AND THAT YOU WILL BE
ABLE TO ACCEPT ON THAT BASIS SO AS TO HAVE WHOLE MATTER PROMPTLY
SETTLED STOP YOU REALIZE OF COURSE THAT THEIR PROPOSAL WOULD
DISQUALIFY YOUR BEING AN OFFICER DIRECTOR EMPLOYEE OR STOCKHOLDER
OF ANY BANK STOP BEST TO YOU AND ALL AT THE BANK FROM US BOTH

STRONG

January 5, 1927.

Telegram telephoned by Miss Morrison, Secretary to Mr. Owen D. Young, at 3:45 p. m. to Mr. Case,

Asheville, N. C. 1/5/27.

"O. D. Young

After full discussion seems best for Harrison to return New York tonight so that report so to report fully to you and directors tomorrow. Hope this satisfactory.

Benj. Strong."

Miss Morrison reports that Mr. Young was called uptown, but said he would discuss this matter with you tomorrow.

New York, January 8, 1927.

Dear Mr. Governor:

The developments during the past week have been momentous. I was called to Washington on Tuesday, the 4th instant, and was most cordially received by each member of the Board. The outstanding feature of my contacts with the members thereof was their manifestation of friendliness to our Board and to yourself. Without solicitation by inquiry or suggestion on my part, they testified in unmistakable sincerity as to a genuine friendliness, admiration and respect for you personally, while their reference to your masterful leadership was not less emphatic than it was earnest and sincere. As a matter of fact they are proud of your record. Their appraisal of your work during and since the war stands as a splendid and eloquent monument of appreciation. Mr. Miller was quite as vocal as his colleagues in this connection.

You can imagine the thrill it gave me to receive their recommendation that Mr. Owen Young be transferred to a Class "C" status and thereafter be appointed by them as Deputy Chairman, only to be followed by the suggestion that Mr. Gates McGarrah be appointed by them as Chairman of the Board and Federal Agent. While dispelling all misgivings as to the possibility of naming a less distinguished and able incumbent of that key position, it brought a compelling conviction of their interest in the New York Bank, in you personally, and in their wisdom in thus fulfilling one of their most important statutory responsibilities. Surely the biggest and most important Bank in the world is entitled to such a set up as this presents. I am convinced that in giving you earnest support and whole-hearted sympathy to this action, and thereafter in according Mr. McGarrah your cordial and complete cooperation in prosecuting the operations of the Bank, your own peace of mind and

its welfare can thus be assured. It will, I am persuaded accomplish another most important result, and that is the certain preservation of your own well deserved reputation for unselfish, distinguished and successful service in the upbuilding of the system, and at the same time prove again your readiness to do all that in your power lies to safeguard its perpetuity in the interest of our country and of the world.

Faithfully yours,

Charles M. Weaver
Accepted
Samuel W. Hayburn

New York, January 8, 1927

Dear Mr. Governor:

The developments during the past week have been momentous. I was called to Washington on Tuesday, the 4th instant, and was most cordially received by each member of the Board. The outstanding feature of my contacts with the members thereof was their manifestation of friendliness to our Board and to yourself. Without solicitation by inquiry or suggestion on my part, they testified in unmistakable sincerity as to a genuine friendliness, admiration and respect for you personally, while their reference to your masterful leadership was not less emphatic than it was earnest and sincere. As a matter of fact they are proud of your record. Their appraisal of your work during and since the war stands as a splendid and eloquent monument of appreciation. Mr. Miller was quite as vocal as his colleagues in this connection.

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successful service in the upbuilding of the system, and at the same
time prove again your readiness to do all that in your power lies
to safeguard its perpetuity in the interest of our country and of the
world.

Faithfully yours,

*Dictated by
C. W.
Signed by all
three*

New York, January 8, 1927.

Dear Governor:

Since October a very great many unusual and fundamental problems concerning our work and responsibilities have confronted the directors of the Federal Reserve Bank. The developments since Mr. Jay's resignation on the 4th of December particularly have been fraught with great significance as to the future policies and the effectiveness of the Bank. The lack of your constant counsel and advice has been keenly felt by all of us. While all of the directors have appreciated the great responsibility resting upon them and have given to the limit from their knowledge and experience, the duty of acting somewhat as a clearing house has devolved, without planning but for sundry reasons, upon the three of us who are writing these letters.

In thinking together, consulting together and studying the wonderful performance of the Bank in its brief history in serving our nation, and not alone our nation but the nations of Europe - and it is not too much to say all of civilization - the outstanding, the startling, the inspiring part of it all is the great work you have done, and the sacrifices you have made to do it.

The wisdom of many men and centuries of experience were behind the framing and the passage of the law. It would be impossible to give anyone or any small group of men more than the credit of performing a duty in a most capable way. But even their good intentions would have come to naught but for Benjamin Strong, who threw him-

self body and spirit into making a wonderfully fine theory a practical success as a beneficent instrument for the service of mankind.

Your interpretation of the law in its greatest fundamental, that of having a self-reliant, courageous, independent administration of each regional bank, and in the manner of administering the great responsibilities, is unquestionably the sound one. The difficult pioneer work of interpreting and establishing these principles can justly be compared to the work of the great and distinguished Chief Justice, John Marshall, when it fell to his lot to analyze, understand and interpret the constitution of our country.

Your arduous labor as the great pioneer has been performed well, and we think you have almost established the principle. What you have done must be preserved. It is for that great purpose, after weeks of deliberation, considering as we believe every bit of the evidence obtainable and the conceivable future possibilities, and in our sense of duty in meeting the great responsibilities which rest upon us and our sense of appreciation for the wonderful work you have done, as well as our obligation to you as a friend to serve you and preserve your great work for the generations to come, that we deem it imperative to place our views before you.

We think a situation has developed, through no planning or influence of our own, which gives the fairest promise that we could imagine, not only to hold what you have already accomplished, but to add the few finishing touches that would complete it, and fix for all time the high

ideal you have conceived and worked for in our Bank. We believe we have investigated as you would have investigated if you had been here with us, we have analyzed as you would have analyzed, and have reached the conclusion that we feel quite confident you would have reached and which we believe when you have heard this presentation you will readily agree to.

We have put upon Mr. Young the responsibility for presenting the facts in a letter that goes to you at this time.

Yours most sincerely,

Samuel D. Aylbury
Carroll Young
Clarence M. Wallace

Benjamin Strong, Esq.,
Asheville, N. C.

New York, January 8, 1927.

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Yours most sincerely,

Benjamin Strong, Esq.,
Asheville, N. C.

(Dictated by S.W.R.
Signed by all 3)

New York, January 8, 1927

Dear Governor:

As you know, Mr. Woolley went to Washington last Tuesday in response to the tender which the Federal Reserve Board had made to him of the Vice Chairmanship of the Board of Directors of the Federal Reserve Bank of New York. Mr. Woolley explained to the Board that he preferred not to accept that designation for personal reasons and urged the reappointment of Mr. Saunders. He learned at that time that the Board had definitely taken action establishing the principle of rotation in office of Government directors, and to secure that result Government directors would not be expected to serve more than two terms. Mr. Saunders had already been notified of the attitude of the Board. As a result of the discussion, it was suggested that Mr. Young resign as a Class "B" director and accept from the Federal Reserve Board appointment as a Class "C" director with the designation of Vice Chairman of the Board. The Federal Reserve Board, with the concurrence of the Secretary of the Treasury, and the Board of Directors of the New York Bank with the concurrence of the Executive Officers of the Bank, were all unanimously in favor of that solution, and accordingly on Thursday next, Mr. Young will resign as a Class "B" director and will be named by the Federal Reserve Board as a Class "C" director with the designation of Vice Chairman.

Mr. Young, in his letter to Governor Crissinger, while not making it a condition of his acceptance of the Vice Chairmanship, expressed the hope that a permanent Chairman would be promptly chosen so as to relieve Mr. Young from the burdens of Acting Chairman and

also because it would be in the interest of the Bank.

The Federal Reserve Board indicated to Messrs. Woolley and Reyburn on Tuesday and Wednesday of this week, that the Board was ready and anxious to make promptly appointment of Federal Reserve Agent and Chairman of the Board. The Federal Reserve Board expressed the hope that a man of the standing and experience of Mr. Gates McGarrah might be found who would accept that important place. In fact, the Board expressed the view that they would act on Mr. McGarrah's appointment at once and inquired of Messrs. Woolley and Reyburn as to the best method of presenting the matter to Mr. McGarrah. They asked the privilege of making their suggestion on that matter to the Board later. After the Board had been advised of Mr. Young's acceptance of the Vice Chairmanship, Governor Crissinger called Mr. McGarrah on the telephone and asked him to come to Washington. As a consequence, Mr. McGarrah is going to Washington on Monday evening and will spend Tuesday with the Federal Reserve Board. At that time the Board will urge upon him acceptance of the Chairmanship of the Federal Reserve Bank of New York. It is the imminence of this action which leads us to join in this long letter to you and send it by the hand of Mr. Harrison.

Inasmuch as the Board is ready to act on an appointment which is satisfactory to us all, it seems to us that we should make every effort not only to facilitate that action but to urge upon Mr. McGarrah the acceptance of the position.

At the conference in Washington, the members of the

Federal Reserve Board expressed the greatest confidence in and respect for Dr. Burgess. If there was any feeling on the part of the members of the Board, which we doubt, that the New York Board had overstepped the proprieties in recommending Dr. Burgess, it is now removed. The Reserve Board, however, feel that it is more desirable at this time to take a man of high position from the banking world for that office than it is to promote a man less well known from the organization itself. The Board recognizes the beneficial effect of the appointment of a young man like Dr. Burgess on the morale of the bank organization, but they feel that the other course would now be wiser in the interest of the Bank of New York and the System as a whole. It is certainly impossible for us to say that that is an unreasonable position for the Board to take. It has much to commend it, and indeed if we could obtain a man like Mr. McGarrah, we believe that the suggestion of the Board would be wiser than our own. We say this retaining our high appreciation of Dr. Burgess and supporting firmly our original presentation of his name.

Now the question is can Mr. McGarrah be persuaded to accept the appointment. We think that lies largely in your hands. Obviously, he would not consider it for a moment unless you made it known to him, clearly and enthusiastically, that you would like to have him associated with you in the work of the Bank in the full and equal partnership which should exist between two men occupying those high positions. We believe that if Mr. McGarrah can be persuaded to accept this appointment, it will improve greatly the relations between

the Federal Reserve Board and the New York Bank. We confidently believe that many of the irritations which have troubled you so much and given us so much concern will be alleviated and that you will have as Governor not only less troubles but a freer hand in working out the great programs which you have initiated and which, with difficulty, have been executed.

One thing more would probably be necessary to induce Mr. McGarrah to accept the appointment, and that would be that the invitation of the Federal Reserve Board, showing their unanimous action and emphasizing the importance of the Federal Reserve Bank of New York and the position of Chairmanship, be made public. Such an invitation would not be in derogation of the position of Governor but would emphasize the importance of the position of the Bank.

Now we realize fully that this situation is not without difficulty. On the one side it is necessary, in justice to Mr. McGarrah, to create a situation so that the general public will not feel that he is stepping down from his high position in the banking world and taking a less important place. If that impression were created, false rumors would immediately arise of unpleasantness in his existing association and might have unfavorable reactions on the Chase Bank.. Therefore, we must all join in doing everything we can to emphasize the importance of the position to which Mr. McGarrah is called. On the other hand, in creating that emphasis, none of us would be willing that any reflection should come on the dominance of the Governorship in the handling of the bank. That would be

doubly unfortunate. First, it would be wholly unfair to you and certainly you must know that we who sign this letter are as jealous of your position as you ought to be. Again believing as we do that the New York Bank should function as an individual unit, we could not agree to any program which would give emphasis to the notion that the Federal Reserve Board was running our bank through its appointee - the Federal Reserve Agent and Chairman of the Board. These difficulties we are confident can be met with justice to you and Mr. McGarrah and to all interests involved. We mention them only because we want you to know that we have them in our minds and that everything that we say in this letter is in full appreciation of those problems. On the other hand, we feel most deeply that no greater thing of advantage could happen to the Federal Reserve Bank of New York than to have you as Governor supported by such a man as Gates McGarrah as Chairman. In our judgment, if the matter is rightly handled, it will increase in the public estimation the importance of the office of Governor.

From what we know of your attitude toward this whole situation, we assume that this program will not only be acceptable but will be highly satisfactory to you in all respects. If you have any reservations about it, however, then we should like to talk the matter over with you quite fully before you come to any conclusion. We feel it so important that either one or all of us even, if that were necessary, would gladly come to Ashville for the purpose.

However, that will probably be unnecessary unless we have fully
misinterpreted your position.

Most sincerely yours,

Clarence M. Moore
Samuel W. Rayburn

Benjamin Strong, Esq.
Ashville, N. C.

New York, January 8, 1927.

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However, that will probably be unnecessary unless we have fully misinterpreted your position.

Most sincerely yours,

(Dictated by O.D.Y.
Signed by all 3)

Benjamin Strong, Esq.,
Asheville, N. C.

The Federal Reserve Board has informally advised the Board of Directors of the Federal Reserve Bank of New York of the intention of the Reserve Board, acting unanimously and with the express concurrence of the Secretary of the Treasury, to nominate Mr. Gates McGarrah of New York as Chairman of the Board of Directors of the New York Bank. The Board of Directors wishes to record its gratification at the nomination of such an experienced and distinguished banker to act as its Chairman.

The Directors of the Federal Reserve Bank of New York consider that the resignation of Mr. Pierre Jay as Chairman brings to an end the first era in the history of the Bank. Under the leadership of Mr. Benjamin Strong as Governor and Mr. Jay as Chairman, the institution has been created; its general habits and customs of doing business established; and its organization has become seasoned and adjusted both in periods of strain, such as the war, and in periods of alternate strains and ease since the war. A new building has been erected, and from every point of view, the period of organization, initial growth and experience has been a truly marvelous performance, reflecting

the greatest credit not only on the men above named, but upon their associates, the Deputy Governors, the Assistant Federal Reserve Agent, and the heads of departments, and broadly speaking all employees. A very real morale has been created both of loyalty to the institution and the System, and of service to the public. During that period there has been between all of the men engaged, the most effective cooperation and the most unselfish and devoted effort which has accounted for the success of the Bank, and which it is hoped may be continued through all its life as a guaranty of the successful administration of this great undertaking, and as a monument to its officers.

The Board of the New York Bank believes that at the close of this era the nomination of a man of the standing of Mr. Gates McGarrah as Chairman of the Board and his acceptance of that office will permanently set the standards for the future so that the entire financial community will recognize that the positions of Chairman and Governor of the Federal Reserve Bank of New York are the highest financial positions in this Federal Reserve District.

By way of expressing their appreciation of the action of the

Reserve Board and of Mr. McGarrah's acceptance, the Board of Directors of the New York Bank, with the approval of the Governor, wish to establish in this instance such relationship between the offices of Chairman and Governor as exists quite generally between those offices in the great commercial banks and industrial institutions of this District, and therefore, the Board grants to the Chairman such powers as may be needed to accomplish that result.

This grant is made supplementary to all powers which the Chairman has under the authority of the Federal Reserve Act and to all which have been or may be from time to time conferred upon him by the Federal Reserve Board under the authority of the Act. In taking this action, the New York Board does not wish to raise any issue as to where its authority under the law begins or ends in the matter of delegating powers to the Chairman. Its only purpose is to make clear that so far as the New York Board can grant them, the Chairman shall have all the powers necessary to establish the relationship above indicated. It has been thought wise not to specify with any particularity the powers and duties of the two offices, and we believe that

is not generally done in other institutions, because such specifications are quite likely to turn out to be limitations rather than grants of powers.

It is generally recognized that the Chairman, as the presiding officer of the Board, shall be the director of such policies of the Bank as the Board of Directors may from time to time adopt with the approval of the Federal Reserve Board exercising their supervisory powers under the Act. It is also recognized that the Governor shall be the executive head of the Bank with the duty and responsibility of executing all action taken by the Board except in those specific cases where some exceptional duty is delegated to the Chairman by the Act or by the Reserve Board under the Act.

This action is taken at this time in order that experience may be gained during the period of Mr. McCarrahan's chairmanship as to how the great offices of Chairman and Governor can best function in the interest of the System in general and of this Bank in particular. At the end of the Chairmanship, or indeed during it, and in the light of such experience, such formal action can be taken, as may be

needed, to establish those relationships for succeeding periods. It is apparent that such experience should be had before final action is taken, because in the case of this Bank, the Chairman is not, as in other institutions, elected by the Board, but named by the Federal Reserve Board, and it may not always happen that the choice will be, as in this case, of a man whom either board, acting independently, would have unanimously selected for that position.

It may well be that as experience develops, the Federal Reserve Board will desire to act without being bound in any sense by this resolution or being considered to have acquiesced in it, except temporarily, until further action, and therefore, it has been passed so as not to require concurrent approval by the Federal Reserve Board or to commit it in any way even to the extent of that Board assenting to this delegation of power to their own appointee.

The present Board of Directors does express the hope, however, that subsequent boards of the Federal Reserve Bank of New York will treat this resolution as a representation of its intent to Mr. McGarrah as to the powers and duties of Chairman, and that such

powers and duties will not be changed during his term of office as
Chairman without his approval and consent, and that of the Governor
of the Bank.

Biltmore, N. C.
Sunday, January 9, 1927.

My dear Associates:

Mr. Harrison has just handed me your joint letters, and reported the developments of the last week. Had I ever doubted the devotion which you feel for the Bank, which I never have, those doubts would be dispelled by such letters as you send me. Even more, I am touched and greatly affected by the evidence they give me of your regard and confidence, and for that I am wholly unable to express even a small part of my appreciation. But it heartens me wonderfully at a time when it has been needed, to have such letters to read and ponder.

I hope you understand, as you must, that no one can replace Mr. Jay as my partner and confidant; or in my affections as an associate in the Bank.

The present situation, resulting from his resignation and my illness, - and now the termination of Mr. Saunders' service on our Board - leads me to write you as follows:

First. You need have no thought that I shall attempt to accomplish the impossible in seeking or asking to have Burgess appointed. It was my best judgment, and still is, that in the long run, that would prove best for the Bank and the System. All this I have explained, and realizing now that it is impossible, I cheerfully accept that decision, with which I understand our directors and senior officers agree.

Second. There need be no hesitation in agreeing to any appointment on the score that it would appear, within or without the System to minimize my personal position or authority in the Bank. It was always a regret to me that Mr. Jay never enjoyed the full recognition, publicly or privately, which he should have had. My effort has always been to make that clear, as you may recently have observed. So please dismiss any misgiving on that score. Were I seeking

personal advantages for myself, I would not now be in the Federal Reserve Bank.

Third. As the Federal Reserve Board has decided not to appoint Dr. Burgess, I am fully and wholeheartedly in favor of the appointment of Mr. McGarrah, and have addressed the enclosed letter to him, for delivery as and when you decide, hoping that it may aid in inducing his acceptance.

Fourth. The possibilities of misinterpretation of his appointment by the public, as you point out, are much in my mind. It has no personal significance for me, but has for the Bank and for Mr. McGarrah. My hope would be that such statement as the Federal Reserve Board and the Chase National Bank, see fit to issue to the press, can be carefully examined and agreed in advance. Of course I would appreciate seeing them, but that is not necessary if you are allowed to pass on them.

Fifth. It seems important that Mr. McGarrah be fully advised of the scope and character of his work and responsibilities in the Bank before he decides. Any change, certainly any considerable change in the present assignments, would involve many changes in our organization and possibly personnel, which I am sure would be detrimental.

Sixth. We cannot overestimate the value of having Mr. Young accept the office of Deputy Chairman. It will strengthen our hands with the Federal Reserve Board and with the public. We owe him much already and this greatly increases our debt.

Seventh. I have no fears that, in fact, or even in appearance, these changes in our Board will alter or weaken executive management such as the law intends.

Eighth. The outstanding failure of the past twelve years work, so far as I am personally concerned, is undoubtedly the inability to establish and maintain such relations with the Federal Reserve Board, as we should enjoy. Possibly other methods could have accomplished this, without too great sacrifice of

independence. The proposed appointments may, and I am hopeful that they will, accomplish what I have failed to do.

Ninth. Nothing would please me so much, just now, as the visit you are good enough to suggest, - but frankly I have no reservations to express or debate. You may say to Mr. McGarrah that if any argument of mine is needed to persuade him to accept, I would hope to have him come down and let me talk it over with him. And if he does accept, I shall gladly make it my first responsibility, - as it will also be a pleasure, to do everything in my power to make his work a success and his association with us a joy and satisfaction.

Finally, I must add a few personal words. It is by such associations as I have had with such directors as we now have, that the greatest satisfactions are realized. Your attitude, your earnest endeavor at any sacrifice, to serve the best aims of the Bank and of its officers, does give me a thrill of pleasure which makes it all worth while.

Please understand how grateful I am,

Sincerely,

(Signed) B. S.

To
Messrs. Reyburn, Woolley and Young.

(Note: The above is a typewritten copy
of Mr. Strong's handwritten letter.)

CONFIDENTIAL

January 11, 1927.

Dear Mr. Young:

I returned from Asheville yesterday afternoon, and am enclosing a copy of a letter which Mr. Strong gave me to hand to you, Mr. Woolley and Mr. Reyburn, together with a copy of a letter which he wrote to Mr. McGarrah and which Mr. Reyburn handed to Mr. McGarrah yesterday afternoon before he left for Washington.

I shall, of course, be glad to tell you about my trip to Asheville at any time that suits your convenience. Suffice it to say now that Mr. Strong was unqualifiedly in favor of the whole program.

Very sincerely yours,

Mr. Owen D. Young,
c/o General Electric Co.,
120 Broadway,
New York City.

GLH:MM
Encs.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE _____ 192__

TO _____

SUBJECT: _____

FROM _____

Owen D. Young.

to General Electric Co.

120 Broadway N.Y.

The news in your telegram is most
 gratifying and relieves my mind of
 a growing anxiety stop Is there
 anything I can do. ~~Any~~ stop
~~Thanking~~ Would a visit here
 help stop Many thanks to you and
 the others.

Strong

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Jan. 19, 1927 192

To O. D. Y.

SUBJECT:

FROM B. S.

Par. marked "A" will be interpreted by the particular person with whom you are dealing, as fixing his authority in the bank as the "superior authority." I do not regard it as especially important, as that will or will not be the fact, - as circumstances and personalities later may develop. But it is important that the words and letters be free from any ambiguity, - So it is merely a question now of exactly expressing what the directors desire. If they do not desire the Chairman to be the last and final "authority" in the bank - to "direct" the execution of the policies of the directors, then the expressions used will be misleading, and later come up to make difficulty.

I am glad to agree to this or any other statement for him to base his decision upon - which the directors believe wise for the bank - except one which may be misunderstood - or mean something different for him than for the rest of us.

I am also clear that only a more exact statement of the relationship, than one which is either ambiguous or indefinite, will be needed for this particular person. The one prepared is, I feel, a little indefinite. Why not make clear that the Chairman is the spokesman and representative of the directors, - that he represents the F. R. Board - that he participates in all decisions - and as a director is a participant in determining the policies - but is not the executive head of the bank in operating and organization duties. He is in a measure supervisory. But if he is to direct the execution of policies, his authority will (under the language) be supreme. I'd not object to such a decision by the director, personally, - but believe it would be bad for the bank and for the System.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Jan. 19, 1927 192

TO O. D. Y.

SUBJECT: _____

FROM B. S.

-2-

Please do not overlook that it has long been desired by some members of the F. R. Board - that the Chairmen should be in fact the executive and final authorities in the Reserve Banks. (See Parker Willis's book and his reflection of that view). Personally I think the directors are the supreme authority - and the Chairman is their representative - but not the executive head of the bank. Hence my fear of ambiguity.

(copied from B.S.
pencil memorandum)

January 20, 1927.

Dear Mr. Young:

I am enclosing an original and four carbon copies of the memorandum which you left with me to-day. As requested, I am sending a carbon copy to Mr. Whitmarsh without comment. I understand that Mr. Reybunn is writing him separately.

I shall send you a copy of Mr. Strong's pencil memorandum to you sometime tomorrow.

Very sincerely yours,

G. L. D.
mc

Mr. Owen D. Young,
120 Broadway,
New York City.

Encs.

no carbon
kept in
banks.

January 21, 1927.

Dear Mr. Young:

I am enclosing the original and one copy of Mr. Strong's pencil note of January 19, concerning the memorandum which I took to Asheville on Wednesday. I am also returning the original of your memorandum, of which I purposely have kept no copies.

Sincerely yours,

G. L. H.
gmc

Mr. Owen D. Young,
120 Broadway,
New York City.

GLH:MM
Encls.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE _____ 192__

TO _____

SUBJECT: _____

FROM _____

Owen D. Young,
120 Broadway New York,

Replying to wire received from Case
~~which we have not~~ ^{learned} ~~heard~~ ^{from his} what
 York and I are wondering what resulted
~~from~~ ^{learned from his} Clarence's visit to Washington yesterday
 for purpose of discussing proposal that he
 fill first vacancy ^{Harrison} ~~Step~~ ~~the~~ both agree that
 it would be splendid if you would accept
 proposal our ~~only~~ only fear being however
 that it would be so satisfactory as to
 encourage the Board further to delay
 filling first vacancy * ~~but~~ ^{that to} you will ~~return~~

OFFICE CORRESPONDENCE

DATE _____ 192__

To _____ SUBJECT: _____

FROM _____

#2

that
 Stop Cases telegram indicates Board believes
 their proposal would facilitate mutually
 satisfactory arrangement concerning first
 vacancy which they say should be filled
 by someone better known. Stop. In view
 of this internal ~~dispute~~ ^{that} you will be able
 to convince Board ^{of wisdom of} ~~that~~ a combination of
 their proposal and ours ~~is the most~~
~~satisfactory solution~~ ~~Stop~~ and that
 you will accept on that basis so
 as to have whole matter
 promptly settled. Stop. You realize of
 course that this proposal would disqualify
 you being an ~~director~~ officer, director,
 employee or stockholder of our bank Stop

OFFICE CORRESPONDENCE

DATE _____ 192__

To _____

SUBJECT: _____

FROM _____

Case.

For obvious reasons I am replying
your wire directly to Owen Brown
whom I ~~hope~~ suggest you get
a copy.

~~Robert~~ Story.

100 120

Charge to the account of _____

\$ _____

CLASS OF SERVICE DESIRED

TELEGRAM

DAY LETTER

NIGHT MESSAGE

NIGHT LETTER

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

WESTERN UNION



TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

NO.

CASH OR CHG

CHECK

TIME FILED

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

Owen D. Young

General Electric Company

120 Broadway New York

After full discussion seems best for Harrison
to return New York tonight so as to report
fully to you and to directors tomorrow.

Hope this is satisfactory

Strong

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

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

WESTERN UNION



TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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

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.

The filling 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.

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

1927 FEB 1 PM 2 15

CFB242 36

DUPLICATE OF
TELEGRAM TELEPHONED
CD NEWYORK NY 1 154P

BENJAMIN STRONG

201

STUYVESANTS ROAD BILTMORE FOREST BILTMORE NCAR

I AM QUITE SATISFIED THAT WE SHALL BRING THE PROGRAM THROUGH
SUCCESSFULLY STOP WE ARE NOW DEVELOPING DEFINITE PLANS AS MAC
HAS SIGNIFIED WILLINGNESS TO ACCEPT IF PLANS CAN BE CARRIED
OUT WITH APPROVAL OF EVERYONE

OWEN D YOUNG.

7098
Mr. Strong
2270P
A To be Delivered
Delivered

TODAY IS FRIDAY
 Letters forwarded today are not likely to be acted on before Monday
A WESTERN UNION NIGHT LETTER WILL GET ATTENTION EARLY SATURDAY
 3937

WESTERN UNION



TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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

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.

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.

ton Avenue, Asheville, N. C.

NL 1/69 DUPLICATE OF TELEPHONED TELEGRAM

NEWYORK NY 2

1927 FEB 2 PM 9 23

BENJAMIN STRONG

STUYVESANTS ROAD BILTMORE FOREST BILTMORE NCAR
 MAC IS HELD HERE TEMPORARILY BY SUBPOENA IN LAWSUIT WHICH WILL
 DELAY HIS TRIP TO WASHINGTON HAVE MADE APPOINTMENT FOR HIM THERE
 SATURDAY MORNING THEN ALL DETAILS WILL BE AGREED UPON INCLUDING
 FORM OF ANNOUNCEMENT STOP EXPECTED SALARIES TWO PRINCIPAL OFFICERS
 WILL BE EQUAL STOP HOPE TO ISSUE ANNOUNCEMENT ONE WEEK FROM TODAY
 AND THAT MAY FIRST WILL BE DATE OF TAKING OFFICE STOP WILL DO MY
 BEST TO

7095
 B
 8-45A
 Mailed

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

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

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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

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.

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. 9 23

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

CTB502 2/74

DUPLICATE OF TELEPHONED TELEGRAM

GET DRAFTS OF ANNOUNCEMENT TO YOU FOR YOUR SUGGESTIONS AND
APPROVAL BEFORE ISSUE STOP IN VIEW OF MANY THINGS TO BE DONE
HERE DURING NEXT WEEK OR TEN DAYS BELIEVE IT UNWISE TO TAKE TIME
FOR HIM TO VISIT YOU STOP AFTER PRESSING MATTERS ARE CLEANED
UP THAT WILL NATURALLY COME STOP DELIGHTED TO HEAR SUCH GOOD
REPORTS FROM YOU AND I AM SURE THERE IS NOTHING THAT YOU NEED
TO WORRY ABOUT HERE

OWEN D YOUNG.

7095
Bx
8-45a
Mailed

FOR RELEASE THURSDAY MORNING PAPERS, FEBRUARY 10

On receiving notification of the appointment of Mr. Gates W. McGarrah as Chairman of the Board of Directors of the Federal Reserve Bank of New York, Mr. Owen D. Young, Deputy Chairman of the Board, issued the following statement.

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The directors and officers of the Federal Reserve Bank of New York appreciate highly the action of the Federal Reserve Board in naming Mr. Gates W. McGarrah as Chairman of the Board, and they are complimented by Mr. McGarrah's acceptance of that office.

The Federal Reserve Bank of New York as the largest bank in the Federal Reserve System and the ^{one of} largest bank of issue in the world, should have as its chief officers men of outstanding achievement in the financial field. With Mr. Gates W. McGarrah as the presiding officer of the Board, and Mr. Benjamin Strong as Governor, the board of directors feel the standards for the future are set. Both are intimately familiar with the banking needs of this Federal Reserve district and of this country as a whole. In addition, both are familiar with the economic and financial conditions of Europe, and will be of inestimable aid in working out with the Federal Reserve Board at Washington sound and appropriate policies.

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., March 6, 1927.

My dear Owen:

In default of opportunity for a full discussion with you, the next best thing is a letter, but I am afraid it will be a poor substitute for a talk. I have been meaning to write it for some time past. Its length is due to the necessity for recounting a little history.

By way of introduction: when the Federal Reserve Act became law - in the face of strong banking opposition, manifested more in "Wall Street" than in any other part of the country - the principal fears aroused were, I believe, three - others being of less consequence. The first was that the new banking system, which was compulsory upon national banks, would be politically controlled. The second was that dividing the country into a number of districts - as it developed, no less than twelve - strong sectional feeling would enter into the management of the System and it would be impotent to perform its chief functions smoothly and efficiently. The third was that the Reserve Banks, taking over such vast resources of capital and deposits from the national banks and with such broad powers granted them, would become active competitors to the detriment of the interests of the member banks.

This was the situation before the War started. In April or May of 1914, Warburg brought the Federal Reserve Board's request, with the approval of President Wilson and Secretary Mc Adoo, that I should become the head of the New York Bank, organize it and be responsible for its success. I was on the eve of sailing for Europe, and declined positively

to entertain the idea. On my return about the first of July, the proposal was renewed with greater urgency, and again I declined. Then came the War and, as you know, a desperately bad situation, liable to become greatly worse as the vicissitudes of the War developed unless our new banking system immediately became effective. Some time in September I was again approached by a committee of the Federal Reserve Board, of which Warburg was one, with a very insistent plea that I should undertake the task. I think they also brought me a letter from President Wilson urging me to do so. They then told me that the Board was encountering the greatest difficulty in getting men to take positions in the Reserve Banks. My memory is that they did not definitely have a head for even one bank of the twelve, and the argument was that if I would accept the position, it would set an example that would enable them to get good men in the other districts. After many conferences with my associates in New York, and especially with Jack Morgan, Harry Davison, Dwight Morrow and Mr. Baker, I was persuaded to say "Yes". It involved a very great financial sacrifice, as you realize, and, as it has later developed, a sacrifice of my health as well. But my acceptance of the position was only after a very clear declaration of my attitude which I made to Warburg, Jack Morgan and Harry Davison, and which Warburg advised me he had conveyed to his associates in Washington. They told me that the head of the Bank would be designated as the Governor of the Bank, that he would be the actual executive head of the Bank and would be permitted to pass upon the selection of associates. I replied that I preferred to accept the position without any conditions whatever, either as to title or salary or otherwise

save that I would head the Bank, but that everybody should understand what my position would be in certain contingencies. In a word, it was that any development in the System in the direction of a political control, or of control by the banks of the country or by the Wall Street bankers, or any interference from any quarter with the autonomy and independence of the Reserve Bank of New York as contemplated by the statute, would not result in my resignation but would certainly result in my attempting by every legitimate means to defeat any such effort.

It developed that the suggestion of my accepting this position coming from the Federal Reserve Board gave rise to some resentment on the part of those directors who had then been selected. As I recall, the six elective members of the board had been elected by the Bank, and one out of the three Class C directors had been appointed - Mr. George F. Peabody. The other two appointments had not yet been made. When I agreed to accept the position of Governor, the Board with my assent appointed Mr. Jay, and, over my protest, appointed Mr. Stareck as the third Class C director - a most undesirable appointment, as it later developed. The directors then appointed me Governor of the Bank, but not before I had received a call from Mr. Woodward, the object of which, as shortly developed, was to satisfy himself and associates that the Federal Reserve Bank, because of my selection, would not become promptly "Morganized." I think he was satisfied before we got through. That possibility I never feared!. But I did fear the political control.

Privately, I told those members of the Federal Reserve Board whom I knew that I anticipated difficult times ahead, on the one hand with

the members of the System, many of whom were hostile to the plan, and on the other hand between the Reserve Banks and the Federal Reserve Board. I also anticipated the development of feeling and jealousy between the Reserve Banks.

It is a singular fact that the Reserve Banks had not been organized three months before all of these developments were actively harassing us, and not the least was the immediate effort by the Federal Reserve Board to assume powers and exercise authority not contemplated by the Act. As a result of the Governors' Conferences and our committee form of procedure, we have succeeded in overcoming sectional jealousies. The twelve banks work harmoniously together. Largely as a result of patient "creeping" by the Reserve Banks rather than attempting to move too fast, most of the banking hostility to the System has been overcome. The one outstanding weakness in the System is in the unsatisfactory relations which now subsist between practically all the Reserve Banks and the Federal Reserve Board.

This difficulty is the result of inherent defects or weaknesses in the scheme itself. The situation which has now arisen was almost bound to arise, and some of us clearly foresaw it in the early days. The only difference between what I anticipated being forced to do and what proves to be practicable, is due to the circumstance that my health is now such that it is quite impossible for me to carry out such a program as I had outlined twelve years ago, for I am simply not physically equal to the task of dealing with a development which I believe is almost certain to wreck the System in the course of years; nor do I believe our directors would support me in the attempt. Let me endeavor to give you the picture as I see it,

and thereby explain, as I hope I may be able to do, the causes of the major difficulties.

(1) The Federal Government has never yet constituted an independent bureau as a permanent branch of the Government free of departmental control under a member of the Cabinet which has been a success. The Interstate Commerce Commission (certainly until the last three years) in bowing to the public clamor for lower rates in the face of increasing costs of operation, that is, wages, materials and taxes, wrecked the railroad systems of the country, and it was not many years ago that we had between 60,000 and 80,000 miles of our railroad lines in the hands of receivers - between a fifth and a quarter of the entire mileage. Many others barely escaped.

(2) The Shipping Board - there is no need to recount the history of this unfortunate enterprise.

(3) The Federal Farm Loan Board. Were the facts known in regard to the affairs of this organization, as they are gradually becoming known in the Treasury, I am satisfied that you would be astonished. They would be fully known, were it not for the alarm which might arise among holders of the obligations of a system which is today borrowing over a billion dollars from the public in one form or another.

(4) The Alien Property Custodian. It has been nothing short of a scandal of the first order, and here the independent officer of the Government appointed to execute this vast trust of \$300,000,000 or more is directly responsible to the President. Fortunately, recent changes have improved matters.

(5) The Tariff Commission. It has been an unfortunate and impote

body from the start.

I could go on at some length recounting others with which you are doubtless familiar. The one notable exception is the War Finance Corporation, and its escape from the fate of these other independent bodies has been due to the good fortune of getting a man of outstanding ability and large independent means who dominated the situation absolutely from the start and was willing to devote himself to the work so long as he could control it, without fear of losing his job!

The reasons for these failures have all been disclosed many times. The failures are principally due to inability to get good men. The salaries are small. Political considerations enter too much into the selections. But what is even more serious, these men, when they are selected, become timid and inefficient, unconsciously almost subordinating real convictions to their fears lest they may not be reappointed or may encounter criticism. Such a body, as the history of every bureaucratic body shows, endeavors to cure its own inefficiency by seeking to grasp more powers. The difficulties of their administration arise partly from inability to get good assistants, because they cannot pay enough, and partly because business is conducted as though it were a parliamentary body, votes must be had upon everything, and members hesitate to go on record for and against important measures which may arouse antagonisms. The result is a fairly equal division between:

- (a) Hesitation, procrastination and inaction;
- (b) Unfortunate compromises; and
- (c) Mistakes.

Almost continuously throughout the past twelve years a compara-

tively small group of men in the Reserve Banks have been contending against these difficulties in the Federal Reserve Board. Their existence is well known and admitted even by members of the Board. Usually logical argument and frank submission of the facts and persuasion has been sufficient. At times it has even been necessary, as you know, to seek the influence of the Secretary of the Treasury.

The first real test that arose in this rather subtle reaching for authority by the Federal Reserve Board was, as I said above, within a few months of the opening of the Banks. The Board undertook to direct the Federal Reserve Bank of Minneapolis (as I recall) to make a change in its discount rate. The Governor of that Bank protested by direction of its directors, and the matter was brought up at a meeting of the Governors in Washington. At a joint meeting with the Federal Reserve Board, this effort was very frankly discussed, the Board attempted to assert its authority to initiate changes in the rate, and as I was then Chairman of the Governors' Conference, I told the Board, by unanimous direction of the Conference, that if the Board undertook to do so the Reserve Banks would find it necessary to test the Board's power in the courts. It was, of course, a bombshell, resulted in the Board's asking the opinion of the then Attorney-General as to their powers, and while I have never seen the opinion, I have been informed that it was somewhat adverse to the Board's contention, except that in the case of a Bank which proved obviously recalcitrant in remaining out of line with the general level of rates or something of that sort the Board could initiate rate changes. I have since been informed that a later opinion was secured from Attorney-General Daugherty or one of his assistants, which rather sustained the Board's point of view. We at that time consulted Mr.

John G. Johnson of Philadelphia as to what the Act meant, and after some correspondence, as I recall, he wrote an opinion which was substantially similar to the one which I understand was given by President Wilson's Attorney-General and which I believe was written by Mr. John W. Davis, although this is from hearsay.

From that early beginning until the present time, there has been conducted quietly, but nevertheless with a certain degree of success, a systematic effort on the part of some members of the Board to gradually set up precedents which would give them powers greater than the law contemplates to direct the operations of the Reserve Banks from Washington. It would make this letter much too long to recite the various efforts in this direction, but the files of our Bank, of the Governors' Conferences, and I believe equally of the other Reserve Banks, are filled with correspondence, memoranda, opinions of counsel, etc. constituting a long record of resistance by the Banks to efforts by the Board to centralize authority and assume executive duties in Washington. In the first few years of the life of the New York Reserve Bank, committees of our directors and sometimes the entire board, at times visited Washington to protest against this development and, while Secretary Mc Adoo was Chairman of the Board, usually with complete success.

This relates simply to the question of centralization of authority and direction of operations, etc.

The other serious development lies, I believe, in the growing inability of the Board to make prompt decisions and in many cases wise ones where important but nicely balanced questions appear for decision. I think the three outstanding examples are the pension system, what we call the non-

cash collection system, and the Cuban branches. A proposal for a pension system has been pending before the Board for over six years. We have spent about \$100,000 in studying and formulating it, and during that entire six years the Board has never been willing to approve the plan produced from the studies which they originally authorized. Finally, through Mr. Hamlin, a vote was obtained in the Federal Reserve Board to the effect that the Board would raise no objection if the Committee of the Reserve Banks which was handling the matter sought to obtain the necessary legislation from Congress, but the Board would itself assume no responsibility. The Committee got to work actively within the past year. The bill was passed unanimously by the Senate, but has just failed in the House. The result of this delay, which many of us feel was entirely unnecessary and due to dissention and timidity in the Board, has been to accumulate a liability for accrued contributions approaching \$4,000,000. This can be dealt with by a readjustment of the plan, but somewhat to the injury of the enterprise, and the delay of course makes the protection ineffective to the extent that some five or six years of contributions may now never be made.

As to the matter of the non-cash collections, for over three years there has been argued and pending before the Board, whether we should continue this service, and if we do continue it, whether it should be done with or without a service charge. It is the type of service which should be conducted uniformly as to methods and charges throughout the System. The Board has now ruled that the Reserve Banks may continue the service, but charge or not as they please. The result is that some Reserve Banks will charge for doing the work, and others will not - a thoroughly unwholesome situation to be permitted to develop.

In the Cuban matter, which is a very long story, after some intimation from the Department of State, the Board was led to compromise this important question by authorizing the establishment of two branches in Cuba, one for Boston and one for Atlanta, both offices probably being illegal and conducting a business which is not justified either by the situation itself or by the Federal Reserve Act.

I am developing this subject in the two categories: one the effort on the one hand to obtain more authority, and the other the evidence which is now so convincing, that once obtained it is almost impossible to hope that it will be wisely and intelligently exercised; efficiency will be impaired. But there is still another point of view, and that is as to the capacity of any body such as the Federal Reserve Board in Washington to initiate and direct policies in credit matters when they are located such a distance from the money markets, when all their information reaches them by word of mouth and second hand, or through written reports and from very limited sources. There is no bank of issue in the world which has its administrative and executive headquarters elsewhere than in the money capital of the country as well as in the political capital. In our case, if the executive and administrative direction of the System is gradually assumed by the Federal Reserve Board, the political influences which surround the Board in Washington will render so many of their acts subject to fear of political consequences that a clean-cut, decisive, courageous policy by the System will be impossible. Of this we have had abundant evidence time and again, in those matters requiring decision where political considerations might prove to be an influence. Repeatedly we hear from the Federal Reserve Board that this or that must be done or must not be done, because of

the reaction which will be felt in Congress.

All of the above is to give you the background for what I wish to write you about - the present development in our own Bank. Before I left New York, in my conversations with Mr. Jay, Mr. Reynolds, Mr. Woolley and Mr. Reyburn, I took the position that upon Mr. Jay's resignation the wisest and best course would be to secure the appointment of Dr. Burgess if that were possible. If it were not possible, my second choice, as you know, was Mr. Mc Garrah. I had no doubt of Dr. Burgess' ability to fill the position and ultimately to develop into an influential and valuable officer of the Bank and of the System, but of course it would have taken some time. The appointment of Mr. Mc Garrah, I felt, would be in every way a happy one so far as personal relations were concerned, but as I explained at the time, selecting an outside person would be much more likely to open the door to the very development which we all feared, namely, to give a further impetus to the Board's desire to center the executive management of the System in Washington. This letter, in order to give you the whole story, must be frank to the last degree. I happen to have known for some time, as no doubt Mr. Jay explained to you, that the Board is contemplating changes in Federal Reserve Agents in a number of other Banks. There are various causes, but it just so happens that these Banks are Boston, Philadelphia, Cleveland and Chicago. Those four Banks, with the New York Bank, represent three-quarters of the resources of the System, and the Governors of those five Banks constitute the Open Market Committee. Practically all matters of policy are initiated in that Committee. The development of initiative as to policy should originate in the Reserve Banks, where the operations are conducted; supervision and collaboration only should lie with the Board.

Feeling as I did that Mr. Jay's resignation would open the door to just this development, I awaited with much interest the terms of the Board's announcement of the change for some confirmation of my expectation. Certainly the announcement was ample confirmation. I have just now received the enclosed news slip, which is undoubtedly inspired and is further confirmation of my belief that from now on the drift in the System will be in the direction of centralization and that in five or ten years we will not recognize the Federal Reserve System of that day as being even a second cousin of the one that has existed for the past five or ten years. My reason for writing this, I think, is simply common sense. The resistance to this development has centered in the organization of the Governors. It has taken concrete form in the Open Market Committee. Without the least desire to exaggerate my own influence in these matters, the battle has raged over my head most of the time. It unfortunately has happened that every time I have been away in recent years, efforts have been made by the Board to weaken the influence of this Committee and of the Governors. In 1923, when I was in Colorado, the Committee of Governors previously conducting the open market operations (which I had appointed at the Governors' Conference) was summarily dismissed by the Federal Reserve Board and a new Committee appointed, not by the Governors' Conference but by the Federal Reserve Board, the same individuals constituting the new Committee, but with instructions set out in a resolution of the Board which deprived the Reserve Banks of even their statutory powers in the matter of investments in Government securities. A protest was made as to the terms of the resolution, but some lack of perspicacity on the part of those present led them to overlook the fundamental encroachment, which lay in the assumption by the

Reserve Board that they had the power to dismiss such a Committee and appoint a new one subject to their own direction. Similar occurrences of less importance have taken place more recently and at times due, I regret to say, to a lack of vigilance on the part of the members of the Committee, who have missed the point of these efforts by the Board to grasp in greater degree some sort of authority over the operations of the System.

So far I have discovered no one in the Federal Reserve Banks who, when I retire, will be willing to submit to all of the annoyance and give the amount of time necessary, by scrutiny of every single activity of the Reserve Board, so as to lead a proper and necessary resistance to this effort. Certainly the directors of the Reserve Banks have not got the time, nor is it possible for a director to scrutinize everything that transpires with this thought in mind. It is no exaggeration for me to state that the Board, probably under the influence of only two or three of its members, has within the past few months seen an opportunity more favorable than any that has formerly arisen to consolidate its grasp upon the System. I believe that some of them are consciously expecting that, as soon as I retire, they can gradually assume an almost undisputed control of the activities of the Reserve Banks to a degree far beyond what the law originally contemplated, and to an extent which in the end will be disastrous, I believe, to the System and to the country. This will likely be expressed by an attempt to have Federal Reserve Agents serve on the Open Market Committee.

Of course, when Mr. Jay's resignation first became a possibility, I was in Europe and had opportunity without the disability of illness to consider the situation resulting, and all of these fears of mine were most

active at that time and were then expressed to Mr. Jay. On my return, illness made me doubt my own judgment somewhat, but my instinct, which I frequently find a pretty good guide, was so strongly against any outside appointment that only the urgency and persuasiveness of our own directors led me to take the position I did. It had seemed to me that there were so many evidences that the Reserve Board and our own directors felt, as had been repeatedly stated to me, that I had too much the habit of wishing my own way, that I should in this instance, being a matter where I had absolutely no authority, surrender my own views completely to those of my associates, and I did so after making perfectly clear in what direction my doubts lay. Now frankly, Owen, the terms of the Board's announcement and of this undoubtedly inspired article in the News Bureau confirm every doubt that I had in mind at the time of our correspondence. There is nothing in this situation that causes me any personal embarrassment or uneasiness, or even mortification. As you know, I have been for a long time eager to escape any responsibility at all, to nurse my health and to feel that I am a free man. My anxiety is about the Federal Reserve Bank of New York and the Federal Reserve System, and I am writing you this long epistle to express to you my conviction that we are not only headed in the wrong direction, but that we are in imminent danger, looking ahead only but five or ten years, that very grave questions will arise which must be the subject of consideration by Congress and which may indeed result in a very serious strife throughout the country about the System. The enclosed letter of Professor Allyn Young of Harvard is evidence of what may happen.

You may properly ask what other course could have been pursued,

and it is not an easy question to answer. The course which was followed was certainly the easiest. The alternative, I believe, was the one which I had advocated before leaving for Europe, and that was a definite, clearly drawn issue between the Federal Reserve Banks and the Federal Reserve Board on all these points where the Board was seeking to encroach in its authority. You must not gather from the above that I have not considered the possibilities of an equally successful System in case the Board were able to get the right type of men as Chairmen of the Reserve Banks and have what might be called a "Class C" management of the Banks, with the Board directly governing the activities of the Federal Reserve Agent, who would then be the executive head of the Bank. I think I can assert without reservation that such a scheme of management would be impossible of success. The Board has never been successful since the System got started (except in the case of Mr. McGarrah) in getting the type of men essential to such a scheme, and they have endeavored to exercise such a domination of those they have appointed as to render them ineffective as managers anyway. Mr. Jay, Mr. Wills of Cleveland, and Mr. Perin of San Francisco were the outstanding examples of first rank men who were not dominated by the Board. Mr. Wills, who never had a high regard for the Board, died recently; Mr. Jay, as you have doubtless learned, never really had the confidence of the Board; and Mr. Perin has been forced to resign in despair. No one of those Banks could be said to be run by the Federal Reserve Board, because the Chairmen in each case declined to submit to their domination. In the other nine Banks, the Governors have dominated in each instance. A "Class C" type of management for the System would result very promptly in losing some of the best men we have got in the

Reserve Banks. (In our own Bank I would expect shortly to lose Case, Harrison, Rounds and Gilbert). The executive heads would all of them owe their positions to the Federal Reserve Board. However honest such a man may be or however independent he may intend to be, after some years in such a position to be faced with losing it, and of subjecting his family to possible distress by doing so, he will usually submit, and that I apprehend would be the situation in the Reserve Banks. The fact now is that six of the nine directors of a Reserve Bank control the selection of the head of the Bank, but if the Board has its way, while the Board names but three of the directors, it will nevertheless select and control the head of the Bank.

There has been ample time down here to think these matters over deliberately. My fear is that circumstances have now led to the development of a situation where it will be almost impossible to stem the tide of centralization. My belief is that this development is absolutely contrary to the conviction and the desire of such men as the President, Secretary Mellon, Senator Glass, and others who understand the System and who have a keen interest in its welfare. I feel very certain that such men as Russell Leffingwell, Parker Gilbert and Garrard Winston - and there are none in better position to judge than they - will look with grave concern upon the development of such a plan for the Federal Reserve System as is forecast in this inspired article of the Wall Street Journal.

Now the question is, what to do about it. After expressing the views which I held, possibly not as urgently as I would have expressed them had I been sure of the future as to my health, etc., our directors, Mr. Mellon and the Federal Reserve Board have decided upon what to do in our own case,

and I suppose the Federal Reserve Board will now decide what to do in the case of the other four Banks I have mentioned, and probably in one or two others which I believe are somewhat in their minds. I personally feel that my last responsibility is discharged in making clear all that I feel about it. You and my other associates in the Bank have been so wonderfully loyal and understanding and sympathetic in your attitude to me, that I feel more than willing, even more than obliged, to conform to any course which seems to them to be wise. It is nevertheless a question as to whether this course, which I now feel is clearly embarked upon, will not force me to abandon all hope of achieving anything further in the matters in which I have been particularly interested all these years.

If I should resign now, I fear only adding to the difficulty and embarrassment. Even though it may subject me to some criticism, it has seemed to me that I should continue at least long enough so as to get the drift of matters personally and on the ground and form a better opinion than I now can as to what my real duty is. But for the last few weeks, I have felt that it was impossible for me to remain silent and watch this development without some warning.

I have opened my mind to you very fully, but with the conviction that, for the present, it should go no further. The thought has been growing on me that possibly the best plan would be for me to arrange to meet you in Washington within, say, a couple of weeks, as I could probably then make the trip without much risk, so that we could discuss this situation frankly with Secretary Mellon and, if necessary, with the President. I am sensible of some embarrassment because of the fact that you are now a Class C director and Vice-Chairman of the board and feel a natural sense of responsibility to

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Mr. Young.

3/6/27.

the board, which I would not for a minute ask you to lay aside and especially not if you did not pretty fully agree with some of the concern which I have expressed. So I shall conclude by asking you to hold this letter in confidence for the moment and consider whether such a visit in Washington is not the wisest course as preliminary to any conclusion which I might otherwise reach.

With best regards, I remain

Sincerely yours,

Mr. Owen D. Young,
120 Broadway,
New York City.

BS:M

COPY of a Letter written by Governor Strong and
delivered by hand by Mr. Harrison to Mr. Owen D. Young
PERSONAL AND CONFIDENTIAL

Stuyvesant Road,
Biltmore Forest,
Biltmore, N. C.
March 6, 1927.

My dear Owen:

In default of opportunity for a full discussion with you, the next best thing is a letter, but I am afraid it will be a poor substitute for a talk. I have been meaning to write it for some time past. Its length is due to the necessity for recounting a little history.

By way of introduction: when the Federal Reserve Act became law -- in the face of strong banking opposition, manifested more in 'Wall Street' than in any other part of the country -- the principal fears aroused were, I believe, three -- others being of less consequence. The first was that the new banking system, which was compulsory upon national banks, would be politically controlled. The second was that dividing the country into a number of districts -- as it developed, no less than twelve -- strong sectional feeling would enter into the management of the System and it would be impotent to perform its chief functions smoothly and efficiently. The third was that the Reserve Banks, taking over such vast resources of capital and deposits from the national banks and with such broad powers granted them, would become active competitors to the detriment of the interests of the member banks.

This was the situation before the War started. In April or May of 1914, Warburg brought the Federal Reserve Board's request, with the approval of President Wilson and Secretary McAdoo, that I should become the head of the New York Bank, organize it and be responsible for its success. I was on the eve of sailing for Europe, and declined positively to entertain the idea. On my return, about the first of July, the proposal was renewed with greater urgency, and again I declined. Then came the War and, as you know, a desperately bad situation, liable to become greatly worse as the vicissitudes of the War developed unless our new banking system immediately became effective. Some time in September, I was again approached by a committee of the Federal Reserve Board, of which Warburg was one, with a very insistent plea that I should undertake the task. I think they also brought me a letter from President Wilson urging me to do so. They then told me that the Board was encountering the greatest difficulty in getting men to take positions in the Reserve Banks. My memory is that

they did not definitely have a head for even one Bank of the twelve, and the argument was that if I would accept the position, it would set an example that would enable them to get good men in the other districts. After many conferences with my associates in New York, and especially with Jack Morgan, Harry Davison, Dwight Morrow, and Mr. Baker, I was persuaded to say 'Yes.' It involved a very great financial sacrifice, as you realize, and, as it has later developed, a sacrifice of my health as well. But my acceptance of the position was only after a very clear declaration of my attitude which I made to Warburg, Jack Morgan, and Harry Davison, and which Warburg advised me he had conveyed to his associates in Washington. They told me that the head of the Bank would be designated as the Governor of the Bank, that he would be the actual executive head of the Bank and would be permitted to pass upon the selection of associates. I replied that I preferred to accept the position without any conditions whatever, either as to title or salary or otherwise save that I would head the Bank, but that everybody should understand what my position would be in certain contingencies. In a word, it was that any development in the System in the direction of a political control, or of control by the banks of the country or by the Wall Street bankers, or any interference from any quarter with the autonomy and independence of the Reserve Bank of New York as contemplated by the statute, would not result in my resignation but would certainly result in my attempting by every legitimate means to defeat any such effort.

It developed that the suggestion of my accepting this position coming from the Federal Reserve Board gave rise to some resentment on the part of those directors who had then been selected. As I recall, the six elective members of the board had been elected by the Bank and one out of the three Class C directors had been appointed -- Mr. George F. Peabody. The other two appointments had not yet been made. When I agreed to accept the position of Governor, the Board with my assent appointed Mr. Jay, and over my protest, appointed Mr. Stareck as the third Class C director -- a most undesirable appointment, as it later developed. The directors then appointed me Governor of the Bank, but not before I had received a call from Mr. Woodward, the object of which, as shortly developed, was to satisfy himself and associates that the Federal Reserve Bank, because of my selection, would not become promptly 'Morganized.' I think he was satisfied before we got through. That possibility I never feared. But I did fear the political control.

Privately, I told those members of the Federal Reserve Board whom I knew that I anticipated difficult times ahead, on the one hand with the members of the System, many of whom were hostile to the plan, and on the other hand between the Reserve Banks and the Federal Reserve Board. I also anticipated the development of feeling and jealousy between the Reserve Banks.

It is a singular fact that the Reserve Banks had not been organized three months before all of these developments were actively harassing us, and not the least was the immediate effort by the Federal Reserve Board to assume powers and exercise authority not contemplated by the Act. As a result of the Governors' Conferences and our committee form of procedure, we have succeeded in overcoming sectional jealousies. The twelve Banks work harmoniously together. Largely as a result of patient "creeping" by the Reserve Banks rather than attempting to move too fast, most of the banking hostility to the System has been overcome. The one outstanding weakness in the System is in the unsatisfactory relations which now exist between practically all the Reserve Banks and the Federal Reserve Board.

This difficulty is the result of inherent defects or weaknesses in the scheme itself. The situation which has now arisen was almost bound to arise, and some of us clearly foresaw it in the early days. The only difference between what I anticipated being forced to do and what proves to be practicable, is due to the circumstance that my health is now such that it is quite impossible for me to carry out such a program as I had outlined twelve years ago, for I am simply not physically equal to the task of dealing with a development which I believe is almost certain to wreck the System in the course of years; nor do I believe our directors would support me in the attempt. Let me endeavor to give you the picture as I see it, and thereby explain, as I hope I may be able to do, the causes of the major difficulties.

(1) The Federal Government has never yet constituted an independent bureau as a permanent branch of the Government free of departmental control under a member of the Cabinet which has been a success. The Interstate Commerce Commission (certainly until the last three years) in bowing to the public clamor for lower rates in the face of increasing costs of operation, that is, wages, materials and taxes, wrecked the railroad systems of the country, and it was not many years ago that we had between 60,000 and 80,000 miles of our railroad lines in the hands of receivers -- between a fifth and a quarter of the entire mileage. Many others barely escaped.

(2) The Shipping Board -- there is no need to recount the history of this unfortunate enterprise.

(3) The Federal Farm Loan Board. Were the facts known in regard to the affairs of this organization, as they are gradually becoming known in the Treasury, I am satisfied that you would be astonished. They would be fully known, were it not for the alarm which might arise among holders of the obligations of a system which is today borrowing over a billion dollars from the public in one form or another.

(4) The Alien Property Custodian. It has been nothing short of a scandal of the first order, and here the independent officer of the Government appointed to execute this vast trust of \$300,000,000 or more is directly responsible to the President. Fortunately, recent changes have improved matters.

(5) The Tariff Commission. It has been an unfortunate and impotent body from the start.

I could go on at some length recounting others with which you are doubtless familiar. The one notable exception is the War Finance Corporation, and its escape from the fate of these other independent bodies has been due to the good fortune of getting a man of outstanding ability and large independent means who dominated the situation absolutely from the start and was willing to devote himself to the work so long as he could control it, without fear of losing his job.

The reasons for these failures have all been disclosed many times. The failures are principally due to inability to get good men. The salaries are small. Political considerations enter too much into the selections. But what is ~~even~~ more serious, these men, when they are selected, become timid and inefficient, unconsciously almost subordinating real convictions to their fears lest they may not be reappointed or may encounter criticism. Such a body, as the history of every bureaucratic body shows, endeavors to cure its own inefficiency by seeking to grasp more powers. The difficulties of their administration arise partly from inability to get good assistants, because they cannot pay enough, and partly because business is conducted as though it were a parliamentary body, votes must be had upon everything, and members hesitate to go on record for and against important measures which may arouse antagonism. The result is a fairly equal division between:

- (a) Hesitation, procrastination and inaction;
- (b) Unfortunate compromises; and
- (c) Mistakes.

Almost continuously throughout the past twelve years a comparatively small group of men in the Reserve Banks have been contending against these difficulties in the Federal Reserve Board. Their existence is well known and admitted even by members of the Board. Usually logical argument and frank submission of the facts and persuasion has been sufficient. At times it has even ~~been~~ necessary, as you know, to seek the influence of the Secretary of the Treasury.

The first real test that arose in this rather subtle reaching for authority by the Federal Reserve Board was, as I said above, within a few months of the opening of the Banks. The Board undertook to direct the Federal Reserve Bank of Minneapolis (as I recall) to make a change in its discount rate. The Governor of that Bank protested by direction of its directors, and the matter was brought up at a meeting of the Governors in Washington. At a joint meeting with the Federal Reserve Board, this effort was very frankly discussed, the Board attempted to assert its authority to initiate changes in the rate, and as I was then Chairman of the Governors' Conference, I told the Board, by unanimous direction of the Conference, that if the Board undertook to do so the Reserve Banks would find it necessary to test the Board's power in the courts. It was, of course, a bombshell, resulted in the Board's

asking the opinion of the then Attorney-General as to their powers, and while I have never seen the opinion, I have been informed that it was somewhat adverse to the Board's contention, except that in the case of a Bank which proved obviously recalcitrant in remaining out of line with the general level of rates or something of that sort the Board could initiate rate changes. I have since been informed that a later opinion was secured from Attorney-General Daugherty or one of his assistants, which rather sustained the Board's point of view. We at that time consulted Mr. John G. Johnson of Philadelphia as to what the Act meant, and after some correspondence, as I recall, he wrote an opinion which was substantially similar to the one which I understand was given by President Wilson's Attorney-General and which I believe was written by Mr. John W. Davis, although this is from hearsay.

From that early beginning until the present time, there has been conducted quietly, but nevertheless with a certain degree of success, a systematic effort on the part of some members of the Board to gradually set up precedents which would give them powers greater than the law contemplates to direct the operations of the Reserve Banks from Washington. It would make this letter much too long to recite the various efforts in this direction, but the files of our Bank, of the Governors' Conferences, and I believe equally of the other Reserve Banks, are filled with correspondence memoranda, opinions of counsel, etc. constituting a long record of resistance by the Banks to efforts by the Board to centralize authority and assume executive duties in Washington. In the first few years of the life of the New York Reserve Bank, committees of our directors and sometimes the entire board, at times visited Washington to protest against this development and, while Secretary McAdoo was Chairman of the Board, usually with complete success.

This relates simply to the questions of centralization of authority and direction of operations, etc.

The other serious development lies, I believe, in the growing inability of the Board to make prompt decisions and in many cases wise ones where important but nicely balanced questions appear for decision. I think the three outstanding examples are the pension system, what we call the non-cash collection system, and the Cuban branches. A proposal for a pension system has been pending before the Board for over six years. We have spent about \$100,000 in studying and formulating it, and during that entire six years the Board has never been willing to approve the plan produced from the studies which they originally authorized. Finally, through Mr. Hamlin, a vote was obtained in the Federal Reserve Board to the effect that the Board would raise no objection if the Committee of the Reserve Banks which was handling the matter sought to obtain the necessary legislation from Congress, but the Board would itself assume no responsibility.

The Committee got to work actively within the past year. The bill was passed unanimously by the Senate, but has just failed in the House. The result of this delay, which many of us feel was entirely unnecessary and due to dissension and timidity in the Board, has been to accumulate a liability for accrued contributions approaching \$4,000,000. This can be dealt with by a readjustment of the plan, but somewhat to the injury of the enterprise, and the delay of course makes the protection ineffective to the extent that some five or six years of contributions may now never be made.

As to the matter of the non-cash collections, for over three years there has been argued and pending before the Board, whether we should continue this service, and if we do continue it, whether it should be done with or without a service charge. It is the type of service which should be conducted uniformly as to methods and charges throughout the System. The Board has now ruled that the Reserve Banks may continue the service, but charge or not as they please. The result is that some Reserve Banks will charge for doing the work, and others will not -- a thoroughly unwholesome situation to be permitted to develop.

In the Cuban matter, which is a very long story, after some intimation from the Department of State, the Board was led to compromise this important question by authorizing the establishment of two branches in Cuba, one for Boston and one for Atlanta, both offices probably being illegal and conducting a business which is not justified either by the situation itself or by the Federal Reserve Act.

I am developing this subject in the two categories: one the effort on the one hand to obtain more authority, and the other the evidence which is now so convincing, that once obtained it is almost impossible to hope that it will be wisely and intelligently exercised; efficiency will be impaired. But there is still another point of view, and that is as to the capacity of any body such as the Federal Reserve Board in Washington to initiate and direct policies in credit matters when they are located such a distance from the money markets, when all their information reaches them by word of mouth and second hand, or through written reports and from very limited sources. There is no bank of issue in the world which has its administrative and executive headquarters elsewhere than in the money capital of the country as well as in the political capital. In our case, if the executive and administrative direction of the System is gradually assumed by the Federal Reserve Board, the political influences which surround the Board in Washington will render so many of their acts subject to fear of political consequences that a clean-cut, decisive, courageous policy by the System will be impossible. Of this we have had abundant evidence time and again, in those matters requiring decision where political considerations might prove to be an influence. Repeatedly we hear from the Federal Reserve Board that this or that must be done or must not be done, because of the reaction which will be felt in Congress.

All of the above is to give you the background for what I wish to write you about -- the present development in our own Bank. Before I left New York, in my conversations with Mr. Jay, Mr. Reynolds, Mr. Woolley, and Mr. Reyburn, I took the position that upon Mr. Jay's resignation the wisest and best course would be to secure the appointment of Dr. Burgess if that were possible. If it were not possible, my second choice, as you know, was Mr. McGarrah. I had no doubt of Dr. Burgess' ability to fill the position and ultimately to develop into an influential and valuable officer of the Bank and of the System, but of course it would have taken some time. The appointment of Mr. McGarrah, I felt, would be in every way a happy one so far as personal relations were concerned, but as I explained at the time, selecting an outside person would be much more likely to open the door to the very development we all feared, namely, to give a further impetus to the Board's desire to center the executive management of the System in Washington. This letter, in order to give you the whole story, must be frank to the last degree. I happen to have known for some time, as no doubt Mr. Jay explained to you, that the Board is contemplating changes in Federal Reserve Agents in a number of other Banks. There are various causes, but it just so happens that these Banks are Boston, Philadelphia, Cleveland, and Chicago. Those four Banks, with the New York Bank, represent three-quarters of the resources of the System, and the Governors of those five Banks constitute the Open Market Committee. The development of initiative as to policy should originate in the Reserve Banks, where the operations are conducted; supervision and collaboration only should lie with the Board.

Feeling as I did that Mr. Jay's resignation would open the door to just this development, I awaited with much interest the terms of the Board's announcement of the change for some confirmation of my expectation. Certainly the announcement was ample confirmation. I have just now received the enclosed news slip, which is undoubtedly inspired and is further confirmation of my belief that from now on the drift in the System will be in the direction of centralization and that in five or ten years we will not recognize the Federal Reserve System of that day as being even a second cousin of the one that has existed for the past five or ten years. My reason for writing this, I think, is simply common sense. The resistance to this development has centered in the organization of the Governors. It has taken concrete form in the Open Market Committee. Without the least desire to exaggerate my own influence in these matters, the battle has raged over my head most of the time. It unfortunately has happened that every time I have been away in recent years, efforts have been made by the Board to weaken the influence of this Committee and of the Governors. In 1923, when I was in Colorado, the Committee of Governors previously conducting the open market operations (which I had appointed at the Governors' Conference) was summarily dismissed by the Federal Reserve Board, the same individuals constituting the new Committee, but with instructions set out in a resolution of the Board which deprived

the Reserve Banks of even their statutory powers in the matter of investments in Government securities. A protest was made as to the terms of the resolution, but some lack of perspicacity on the part of those present led them to overlook the fundamental encroachment, which lay in the assumption by the Reserve Board that they had the power to dismiss such a Committee and appoint a new one subject to their own direction. Similar occurrences of less importance have taken place more recently and at times due, I regret to say, to a lack of vigilance on the part of the members of the Committee, who have missed the point of these efforts by the Board to grasp in greater degree some sort of authority over the operations of the System.

So far I have discovered no one in the Federal Reserve Banks who, when I retire, will be willing to submit to all of the annoyance and give the amount of time necessary, by scrutiny of every single activity of the Reserve Board, so as to lead a proper and necessary resistance to this effort. Certainly the directors of the Reserve Banks have not got the time, nor is it possible for a director to scrutinize everything that transpires with this thought in mind. It is no exaggeration for me to state that the Board, probably under the influence of only two or three of its members, has within the past few months seen an opportunity more favorable than any that has formerly arisen to consolidate its grasp upon the System. I believe that some of them are consciously expecting that, as soon as I retire, they can gradually assume an almost undisputed control of the activities of the Reserve Banks to a degree far beyond what the law originally contemplated, and to an extent which in the end will be disastrous, I believe, to the System and to the country. This will likely be expressed by an attempt to have Federal Reserve Agents serve on the Open Market Committee.

Of course, when Mr. Jay's resignation first became a possibility, I was in Europe and had opportunity without the disability of illness to consider the situation resulting, and all of these fears of mine were most active at that time and were then expressed to Mr. Jay. On my return, illness made me doubt my own judgment somewhat, but my instinct, which I frequently find a pretty good guide, was so strongly against any outside appointment that only the urgency and persuasiveness of our own directors led me to take the position I did. It had seemed to me that there were so many evidences that the Reserve Board and our own directors felt, as had been repeatedly stated to me, that I had too much the habit of wishing my own way, that I should in this instance, being a matter where I had absolutely no authority, surrender my own views completely to those of my associates, and I did so after making perfectly clear in what direction my doubts lay. Now frankly, Owen, the terms of the Board's announcement and of this undoubtedly inspired article in the News Bureau confirm every doubt that I had in mind at the time of our correspondence. There is nothing in this situation that causes me any personal embarrassment or uneasiness, or even mortification. As you know, I have been for

a long time eager to escape any responsibility at all, to nurse my health and to feel that I am a free man. My anxiety is about the Federal Reserve Bank of New York and the Federal Reserve System, and I am writing you this long epistle to express to you my conviction that we are not only headed in the wrong direction, but that we are in imminent danger, looking ahead only but five or ten years, that very grave questions will arise which must be the subject of consideration by Congress and which may indeed result in a very serious strife throughout the country about the System. The enclosed letter of Professor Allyn Young of Harvard is evidence of what may happen.

You may properly ask what other course could have been pursued, and it is not an easy question to answer. The course which was followed was certainly the easiest. The alternative, I believe, was the one which I had advocated before leaving for Europe, and that was a definite, clearly drawn issue between the Federal Reserve Banks and the Federal Reserve Board on all these points where the Board was seeking to encroach in its authority. You must not gather from the above that I have not considered the possibilities of an equally successful System in case the Board were able to get the right type of men as Chairmen of the Reserve Banks and have what might be called a 'Class C' management of the Banks, with the Board directly governing the activities of the Federal Reserve Agent, who would then be the executive head of the Bank. I think I can assert without reservation that such a scheme of management would be impossible of success. The Board has never been successful since the System got started (except in the case of Mr. McGarrah) in getting the type of men essential to such a scheme, and they have endeavored to exercise such a domination of those they have appointed as to render them ineffective as managers anyway. Mr. Jay, Mr. Wills of Cleveland, and Mr. Perin of San Francisco were the outstanding examples of first rank men who were not dominated by the Board. Mr. Wills, who never had a high regard for the Board, died recently; Mr. Jay, as you have doubtless learned, never really had the confidence of the Board; and Mr. Perin has been forced to resign in despair. No one of those Banks could be said to be run by the Federal Reserve Board, because the Chairmen in each case declined to submit to their domination. In the other nine Banks, the Governors have dominated in each instance. A 'Class C' type of management for the System would result very promptly in losing some of the best men we have got in the Reserve Banks. (In our own Bank I would expect shortly to lose Case, Harrison, Rounds and Gilbert). The executive heads would all of them owe their positions to the Federal Reserve Board. However honest such a man may be or however independent he may intend to be, after some years in such a position to be faced with losing it, and of subjecting his family to possible distress by doing so, he will usually submit, and that I apprehend would be the situation in the Reserve Banks. The fact now is that six of the nine directors of a Reserve Bank control the selection of the head of the Bank, but if the Board has its way, while the Board names but three of the directors, it will nevertheless select and control the head of the Bank.

There has been ample time down here to think these matters over deliberately. My fear is that circumstances have now led to the development of a situation where it will be almost impossible to stem the tide of centralization. My belief is that this development is absolutely contrary to the conviction and the desire of such men as the President, Secretary Mellon, Senator Glass, and others who understand the System and who have a keen interest in its welfare. I feel very certain that such men as Russell Leffingwell, Parker Gilbert, and Garrard Winston -- and there are none in better position to judge than they -- will look with grave concern upon the development of such a plan for the Federal Reserve System as is forecast in this inspired article of the Wall Street Journal.

Now the question is, what to do about it. After expressing the views which I held, possibly not as urgently as I would have expressed them had I been sure of the future as to my health, etc., our directors, Mr. Mellon, and the Federal Reserve Board have decided upon what to do in our own case, and I suppose the Federal Reserve Board will now decide what to do in the case of the other four Banks I have mentioned, and probably in one or two others which I believe are somewhat in their minds. I personally feel that my last responsibility is discharged in making clear all that I feel about it. You and my other associates in the Bank have been so wonderfully loyal and understanding and sympathetic in your attitude to me, that I feel more than willing, even more than obliged, to conform to any course which seems to them to be wise. It is nevertheless a question as to whether this course, which I now feel is clearly embarked upon, will not force me to abandon all hope of achieving anything further in the matters in which I have been particularly interested all these years.

If I should resign now, I fear only adding to the difficulty and embarrassment. Even though it may subject me to some criticism, it has seemed to me that I should continue at least long enough so as to get the drift of matters personally and on the ground and form a better opinion than I now can as to what my real duty is. But for the last few weeks, I have felt that it was impossible for me to remain silent and watch this development without some warning.

I have opened my mind to you very fully, but with the conviction that, for the present, it should go no further. The thought has been growing on me that possibly the best plan would be for me to arrange to meet you in Washington within, say, a couple of weeks, as I could probably then make the trip without much risk, so that we could discuss this situation frankly with Secretary Mellon and, if necessary, with the President. I am sensible of some embarrassment because of the fact that you are now a Class C director and Vice-Chairman of the board and feel a natural sense of responsibility to the board, which I would not for a minute ask you to lay aside and especially not if you did not pretty fully agree with some of the concern which I have expressed.

So I shall conclude by asking you to hold this letter in confidence for the moment and consider whether such a visit in Washington is not the wisest course as preliminary to any conclusion which I might otherwise reach.

With best regards, I remain

Sincerely yours,

Mr. Owen D. Young,
120 Broadway,
New York City.

BS:M

120 BROADWAY, NEW YORK
ROOM 2558

OWEN D. YOUNG

March 31, 1927.

PERSONAL

My dear Ben:

When Harrison brought me your two letters of March 3d and 6th, the Polish situation was particularly occupying our minds, and that was so kaleidoscopic that it was scarcely worth while to write about it. When Harrison handed me your long letter of March 6th he said I might read that entirely at my leisure. At that moment I had no thought of postponing it so long. Today, coming back from the country, I have had an opportunity for the first time to read it with the relaxation with which such a letter should always be read. I shall have the opportunity, I suppose, in a few days, of talking the whole matter over with you and then we can consider it fully. The only thing that I now want to say is that I have no fear of centralization resulting from the appointment of strong men to the Class "C" directorships, one of whom, of course, must be Chairman of the Board. My fear has always been that the Federal Reserve Board, either influenced by political considerations or by its desire to secure control of the banks, would appoint as Class "C" directors men who would be mere agents and servants of the Board, and that such a group throughout the System, cooperating closely with each other and the Board, might be able to dominate the System. They would dominate it not because of their strength, but because they could make it so uncomfortable for the elected directors of the bank that men of position and power would not serve. If I were on the Federal Reserve

Board and wanted to dominate the Federal Reserve System and central-ize its power in Washington, I would name my own henchmen on every bank in the System, and be sure that they were men who would take orders.

The present tendency is exactly the reverse of that, and whatever may be the motive back of it, it is to my mind all to the good. If the motive be to get control of the Federal Reserve Banks - and I think that motive may exist in the minds of some - the method adopted will fail. Take our own situation in New York as an illustration. I think that the influence of the Federal Reserve Board in our affairs will be less with Gates McGarrah as Chairman than it would be with Dr. Burgess as Chairman; not that Burgess is not as strong as McGarrah, but he is less well known, and therefore his resistance would be less effective. As a matter of fact the Board might, with safety to itself, endeavor to dominate Burgess, but it could scarcely do so with McGarrah and therefore would be much less likely to try. If equally strong men can be put into the other reserve banks in place of the men already there, I feel that we will have insured the System against the very centralization which you fear and against which for so many years you have given such effective resistance.

In the early years you were compelled to do it almost single handed in the sense that you had no outstanding men as associates in the officers of the other banks. That you succeeded in doing what you did is my best argument. If one man of outstanding character

and ability in a new system could resist the encroachments of the Federal Reserve Board on the independence of the several banks, then it seems to me that a group of strong men as Class "C" directors could support the officers of these banks and make them almost invincible against any attack of any kind from the Federal Reserve Board, whether such an attack be induced by the desperation of a bureaucracy or by political ambition. Certainly you can not have any stronger views against centralization in Washington than ^{those held by} Gates McGarrah, Clarence Woolley and myself. If the Class "C" directors of the other Federal Reserve Banks were of a similar type there is every reason to believe that we would all be a unit in our views on that subject, and I do not see how the Federal Reserve Board could make any encroachments on the independence of the several banks, because the avenues through which the Board could normally act would all be closed.

I think the newspaper article which you enclosed in your letter was undoubtedly inspired, and may reflect the views of some members of the Board. It will take much more than newspaper articles or views of the Board, however, to accomplish the encroachments which you fear.

I have tried to say several times that to my mind the Federal Reserve Act is like the Constitution of the United States, and all other great charters for that matter. At best it can only draw the outline of the picture, and if it had been entirely wisely drawn it would have omitted many details which were inserted. After the outline is drawn, then we fill in the picture by precedents. We do what John Marshall did to the Constitution. We do what the British Parliament has

done to the Magna Carta. Therefore, the work which you have been doing for these many years in watching precedents has been most important - vital, I think - to the System. You have a great many precedents down already, and they are not likely to be broken.

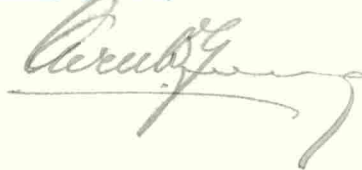
Now we have the foreign situation which was not in contemplation by the drafters of the Act at all. There we have to learn how to make the Act function wholly on precedents, with very little outline to the picture. It is important how we handle that job in the early years in order that the precedents may be right.

The point which I want to make on all this is to let you know that I appreciate the importance of the precedents which were established and that I recognize the necessity of watching them carefully in the future. I must say this, however; That when you were fighting pretty much alone it was necessary for you always to lean backward lest you make a concession which would weaken you tremendously in the future. That practice I do not regard so necessary now. If a man were fighting alone he could scarcely trust himself to a conference of any kind under a flag of truce. One violation of good faith by his adversaries and it would all be over. If, however, a man has an army back of him as well organized and as strong as the opposing army, he may quite safely trust himself under a flag of truce with full knowledge that neither will dare violate it. It is that to my mind which is happening now. Instead of assault and counter-assault on each other's positions, we are meeting to discuss them quite frankly and openly and with firmness. We are not going to surrender any important positions, but we should eliminate much

petty skirmishing. If the Federal Reserve Board is able to take any major position as a result of negotiation, then I would be almost willing to concede that they ought to run the bank.

It is wholly unnecessary for me to say that this letter is personal, and I will talk with you more about it when I see you in a few days.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Arthur F. Young", with a long horizontal flourish extending to the right.

Mr. Benjamin Strong,
Stuyvesant Road,
Biltmore Forest,
Biltmore, N. C.

October 5, 1927.

My dear Owen:

During the past year I have been watching the developments in Germany, as you doubtless have, with a growing feeling of uneasiness. This is not based upon any conviction that there will be a break-down of German finance or of the German monetary position because I think the Dawes Plan of itself provides all the safeguards that are possible against such an occurrence. My uncertainty arises more from the possibility of political developments being permitted to interfere in one or another way with the smooth operation of the plan as was intended by its authors.

The possibility of such a development became obvious as soon as the dispute arose over the proposal of the State of Prussia to borrow \$30,000,000 in this market. We have been consulted by the Department of State and finally are asked to submit a memorandum of our views as to these borrowings. I have attempted to set them out in the enclosed memorandum. While not in its final form it embodies in substance the points which I think require immediate consideration, and a brief suggestion at the end as to what may now be done to postpone the day when a reckoning of the situation will have to be undertaken.

I am not sending this to you in order to get you committed in any way to these views, but I should greatly value any criticisms of the memorandum which you think are justified so that I may have the benefit of them before completing it. I shall, of course, send a copy to Gilbert when it is finished.

One can hardly escape the feeling that the situation might easily become critical in view of the increase yesterday in the discount rate of the Reichsbank and our knowledge of the fact that their reserves are now pretty close to the minimum provided by law, even including the undisclosed reserve of *devisen* which has practically all vanished.

Sincerely yours,

Mr. Owen D. Young,
138 Broadway, New York.
ES/AM
enc.

This material plus some
other of inconsequential nature
was on 797.2 - Dawes Plan
with attached note "The preceding
came down as a whole from
Gov. Strong's office in
November 1928."

also included following
cables w/ BOB E for Feb - Mar.
1924

To BOB E #s 5, 6, 7, 10, 13,
15, 16, 18, 20

To FRBNY #s 53, 58, 60, 62

These are in Archiver's cable file.

This indicates some material from
Strong's files was incorporated in
Correspondence files after his death.

~~Dear Mr. Strong~~

Seems like old times
working together again!

With exception of my Secretary
and myself, no one has seen this
reply. There were two words

we could not fathom and I have
looked for repetitions. Will send
them to you when they arrive.

SM Crocker

8/6/24.

Grand Hotel,
Grasse, June 11, 1928.

PERSONAL

Dear Ozan:

You may be surprised at hearing from me, particularly when you discover the subject of this letter. It is not only exceedingly private, but relates to some matters of technique on which I believe you have opinions and to which I am very anxious that you should give some deliberate thought between now and the September meeting of the Finance Committee of the League of Nations.

To refresh your memory as to history, which I doubt is necessary, the Genoa Conference passed a resolution the substance of which was a declaration of fear of a possible shortage of gold for world gold reserves, competition for gold resulting in high bank rates and declining prices, with possible national bankruptcies resulting; a suggestion that economy in the use of gold could be effected by the development of the gold exchange standard, with say two exchange centers like London and New York; and finally, a direction to the Governor of the Bank of England to call a conference of the heads of the various banks of issue for the purpose of exploring the subject and devising remedies. This I quote simply from memory, as the resolution is not before me.

The invasion of the Ruhr arrested a program for holding such a meeting, and postponements have since taken place, partly because everyone was preoccupied with monetary reorganization and partly because in a quiet way we have been insisting that we were not in sympathy with the Genoa resolution in certain respects and that we would regret declining an invitation

to such a conference, if that was found necessary, or on the other hand would feel the need for going under reservations which would protect the unique position of our own country.

This idea of the need for economy in the use of gold has been very much agitated by a certain group of economists, notably Cassel, Keynes and others in Europe, Fisher and others of like faith at home. Certain of the London bankers, notably Mc Kenna, have held somewhat similar views. As to the honesty of their point of view - at least as to some of them - I have been inclined to raise doubts, because it offered possibilities of embarrassment to the Bank of England in the way of criticism, which some of the critics of the Bank are always ready to grasp.

I had a long talk with Salter in Paris about this whole matter and expressed to him the many doubts I feel as to the wisdom of a program such as suggested by the Genoa resolution. Something of the same sort I said to Professor Cassel when he called on me in New York. In fact, from the time I first heard the Genoa resolution until the present time, I have had definite misgivings as to its wisdom and, in fact, as to whether the grounds for any such action were substantial or sound.

I want to recount to you at some length just what this proposal involves. This, of course, is partly interpretation of the language of the resolution and partly what I gather from conversation with those who advocate it. It involves a conference at which, by some sort of action, the world's banks of issue would agree to maintain reserves in the two principal exchange markets which would obviate the necessity of so large gold reserves being held in their own vaults. They would meet demands

for gold for export either by legal means of furnishing valuta to satisfy demands for gold, or by using valuta in the exchange market to prevent the exchange rate passing the gold export point. This, in substance, is the proposal which these gentlemen have urged upon me at various times.

So the matter has slumbered until this year certain members of the League organization, more especially Strakosch, have agitated the need for doing something, and possibly a reflection of that agitation is found in the resolution adopted by the Economic Committee at a recent meeting, recommending to the Finance Committee that steps should be taken in their discretion. The resolution was introduced in the Economic Committee by Layton, and the Finance Committee took cognizance of it and in turn passed a resolution which in effect postpones the determination of the course of action until the September meeting.

The League's attitude, as I gathered from talks with Strakosch, somewhat confirmed by Salter, would be to explore the whole situation from a factual point of view, but, as I feared, to go somewhat beyond this by suggesting a course of action to the banks of issue. This I would object to on the general theory that the technique, individual relations, idiosyncracies and prejudices of the various banks are such that it would be quite impossible to expect any constructive result from a general meeting developed at this time under auspices of the League, according to the ambition of such men as Strakosch. They have approached the subject with a definite acceptance of the view that a world gold shortage is impending and will result in a price decline, that economy of gold by this method is the only means of relief, and that the League should take cognizance of it and should call

upon the central banks to deal with it.

Now let me also explain some grounds for objection which I feel must be urged very strongly:-

(1) There is no definite, authoritative knowledge as to the outlook for gold production in the world, outside of studies made a few years ago of the prospects of the South African mines. The data has never been assembled as to world production.

(2) It is assumed by these gentlemen that rigid minimum reserve ratios are to be established by the banks of issue throughout the world, so that flexibility is reduced below what existed before the war. This is a false premise, because I believe there will be as great flexibility as, and possibly greater than, existed before the war. Furthermore, the Latin Monetary Union having been denounced, the gold standard will be an actual gold standard and the great stores of gold of the countries in the Latin Monetary Union will be available to an extent which was not the case before the war.

(3) They overlook the fact that our policy at home is gradually making available to the world an amount which will be the equivalent of any shortage in South African production for a good many years to come, and that shortage has not yet developed - at the present time, in fact, production is in record volume.

(4) The establishment of a gold exchange standard on these principles means that a bank of issue like the National Bank of Belgium can issue notes against balances held in London and New York. In the case of New York, we calculate at the Bank that it would be possible legally for the National Bank of Belgium to issue \$100. in notes in Belgium against a gold balance

indirectly held by the Federal Reserve Bank of New York for account of member banks of only \$1.53.

(5) The plan takes no account of the fact that, if 30 or 40 countries should rely upon central bank balances in New York and London as reserve for note issues or expansion of bank credit at home, the amount of those balances will be great enough and their investment would be of such consequence to the money market that the control of the domestic money market might indeed be delivered quite fully to others than the bank of issue.

(6) Demands for gold, as we have experienced them in recent years, we know at times originate from mental rather than actual influences. The introduction of a gold exchange standard in so many countries which are not practiced in central bank management - of which Poland is a good example - means a real menace to the London and New York markets in cases where panic conditions arise.

(7) It is difficult to see how such a responsibility can be formally assumed as the result of formal meetings in which we participated, without subjecting the Reserve System to the hazards of political developments abroad, and to the even greater hazard of political investigation and possibly control at home.

My suggestion in this matter has been uniformly the same to all who have discussed it with me:-

(1) That I was doubtful of the soundness of the basis of the conclusions suggested by the Genoa resolution and was quite certain that the soundness of the remedy proposed was open to serious question.

(2) That a "town meeting" such as proposed would be a sort of spec-

tagular affair, would center the attention of the world upon an assumed program for regulating all of these matters, including prices, to an extent which would never be possible by that method and consequently would involve disappointment and invite criticism.

(3) That it offered too great an opportunity for uncontrolled inflation by countries where political domination of the banks of issue or ignorance in management made self-control difficult, and there was an almost equal hazard to the two countries which were exposed to the consequences.

(4) That no such program should be undertaken until the outcome of the Dawes Plan was more fully developed, that the Dawes Plan provided that it was a means of ascertaining how much Germany could pay and how much her creditors could afford to receive, and that the whole program of the exchanges and the gold standard was more or less wrapped up in the outcome.

(5) Finally, that it might be a good plan for the League to undertake impartial studies of the facts as to gold production, the available amount of monetary gold, how it was distributed, what were the legal and other limitations upon its use, what was the experience of the world as to the secular increase in demand for monetary reserves, and all allied questions of fact, and then have them made public without recommendations as to any course of action. In the meantime, the subject might well be discussed privately by the five principal banks of issue, that is, London, Paris, Berlin, Rome and New York.

My own idea, which I have not expressed very freely, is that every one of the nations should reestablish the gold standard, restore its gold reserve or create a new one where needed, making special arrangements for doing

so where necessary, and reestablish its own domestic autonomy in monetary matters without any such dependence upon other markets as implied by the gold exchange standard. Important balances in London or New York of course may be highly desirable, but the most desirable thing is autonomy and self-reliance and good conduct on sound monetary principles at home. With this principle once established and gradually put into execution, relief from temporary strain in any particular quarter could then be supplied by discounting bills in the principal markets, which should not be confined to London and New York, but be expanded to include at least the five countries named above.

Obviously, the object of this scheme is to avoid the irritations and possibly the attempt at domination which might result from any such plan and on the other hand leave the two principal markets, London and New York, free to decide for themselves whether they would or would not furnish assistance in case of need.

I have a lurking suspicion that a broad development of the gold exchange standard might result in conditions which would bring about the very fall of prices which the proponents of the plan appear to fear; that is to say, unreasonable demands upon London and New York for gold, which would force high bank rates there and in turn protectively lift bank rates the world around.

Such discussions of this matter as I have had in the past lead me to believe that Paris, Brussels, Zurich and Rome are definitely of the same view that I am; that Berlin and Amsterdam are probably of that view; and that London has heretofore rather leaned in favor of the Genoa resolution, possibly

because of the tradition of the London exchange market being a world exchange center.

This subject has so many ramifications, and the consequences of one or another course of action may be so grave, that I am fearful a bit of the influence of a small and rather determined group of men in the league who seem bent on having this question formally dealt with at an early date. In this group the English members have a strong influence.

I am not sending you this as a request to do anything, but simply to think about it, with the possibility always in my mind that your wide acquaintance and very great influence with practically all the men who are active in these matters abroad may result in your being consulted. In fact, this seems unescapable, because of the relation which the Dawes Plan bears to any development of this sort.

All that I have so far done is to suggest to Jeremiah Smith that the matter be delayed. Norman has thought that it might be well to go slow with proposals, at least until we had a chance to examine it on our own account and have some preliminary notion of what attitude we should take.

Some months ago I asked Dr. Burgess to start a study in the Bank of this whole matter, and I understand some progress has been made. I am enclosing a spare copy of this letter, in case you should feel willing to ask Dr. Burgess to read it and talk with you about it, but I shall not send it to him, as he then might drag you into a discussion which you would feel just now took too much time.

Please do not infer from this letter that I am engaged in any such lengthy correspondence as this every day. While I have had some visitors

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9.

Mr. Owen D. Young.

6/11/28.

here and spent some time in Paris, I really have done little work and am just letting matters accumulate for the moment. I am very much better, but still suffering some of the after effects of my illness, and feel the need of the rest that I am getting here.

With best regards, and apologies for bothering you with this matter, I remain

Faithfully yours,

Mr. Owen D. Young,
c/o General Electric Company,
120 Broadway,
New York.

July 18, 1928:

P. S. - I have held the above letter, as I expected to see Salter again, which I have done. Between our meetings, I have had opportunity to go over all of the papers and resolutions, and with Dr. Stewart, and we both agree that it stands out most prominently that these gentlemen are really directing their efforts toward and ultimately - if they once start - will arrive at a determination to make some endeavor to induce the central banks to accept the responsibility for stabilizing the purchasing value of gold. This is a most hazardous proposition to lay before the public. It will arouse endless controversy, revive the waning hopes of all of the extreme theorists, and likely help to create a public opinion that the banks of issue can assume impossible responsibilities.

Believing this quite firmly, I have told Salter at a meeting when Stewart and Harrison were present that I felt obliged to withdraw even the moderate suggestion I had already made in Paris of a factual study. This is where the matter now rests.

BS:M

[From Harrison Papers]

August 18, 1928.

Dear Owen:

When I saw Jackson Reynolds in Paris we had a long talk about his successor. The situation presents some difficulties, and the possibilities are as follows:

First, tradition in recent years has been established that Class A directors shall rotate and not serve more than one continuous term. It is not universal in the System because George Reynolds has served continuously in Chicago since the bank was organized. So the first question is whether, in the present situation, it may be desirable to continue Reynolds notwithstanding the tradition.

Second, has the time arrived to have a representative of a state institution to represent the Class A banks? Canvassing the situation I believe there is only one man who stands out as eligible in this group of banks, and that is Potter, chairman of the board of the Guaranty Trust Company. This is partly because of his known ability and integrity as well as the fact that he represents the largest state institution, but partly because there is no one else that I know of who approaches him in qualifications whose selection would not arouse bitter criticism from some of the large national banks who have been members from the beginning.

Third, there is the undoubted natural course of electing the head of one of the largest national banks in the city. On the whole this may be the best thing to do. In choosing, however, the choice narrows itself to comparatively few. Alexander and Woodward have both served in the past. Chellis Austin, who would be an excellent director, is too new in banking circles in New York. Ward of the Irving has been suggested. He is undoubtedly a first class man, but so long as he is a member of the board of directors he should be willing to accept the decision of the directors in all matters and not indulge in

rate man, but I think that choice might be regarded as a slap at the big national banks. Some day he would make an excellent director. The choice, however, probably narrows down to Mitchell of the City or Wiggin of the Chase. As to the latter, I am opposed to his election. The reasons for it I shall not recount, but they are ample and convincing and conclusive to me.

As to Mitchell, I have a high regard for him. He is truly one of the ablest of our bankers. You probably know his characteristics as well as I do. For a long time he was a very bitter critic of what we were doing. The influence of some of my friends outside of the bank has been quietly exerted to educate him a bit as to our policy and philosophy. A strong influence has been recently felt in young George Roberts who went from our bank to the City and who has done yeoman's work in making our affairs clear to him. The same is true of Gerrard Winston who left the Treasury to join the firm of Shearman and Sterling and is very close to Mitchell and has been a good influence to straighten him out in our affairs. For the last year Mitchell has been much more reasonable and much less critical. Quite recently he has been most cooperative. I have had one talk with him and Mr. Harrison has had a number on the general subject of our work and the credit position and the policy of the City Bank.

On the whole, I think he is my choice. It might be that Potter would be a better choice in some ways were it not that his health has recently been so very bad that I have been doubtful of his ability to serve. This would need to be investigated. The real point of this letter is to express my conviction that if Mitchell should be selected it would be best at the outset to have a very frank understanding with him on two points. One is that so long as he is a member of the board of directors he should be willing to accept the decision of the directors in all matters and not indulge in

outside criticism but be loyal to the majority of his associates. I am convinced that a nice talk with him on this subject would insure that such would be the case, and it is not so much the need for having an understanding in advance as it is to avoid any possibility of misunderstanding in advance, and the distinction in Mitchell's case is important. The other point is as to the inevitable influence which his knowledge of what we are doing may exert upon his policy in running the City Bank. This is one of the oldest problems in central banking. How can a director who is interested in the other side of all banking problems be disinterested and impartial in his attitude in the Reserve bank as well as in his own bank, not take an unfair advantage of his confidential knowledge, and steer a clear course in a very delicate situation. Charlie Mitchell is one of those fellows who faces the facts honestly, and I think it can be discussed with him frankly and no possibility of misunderstanding arise. As a minor matter, I have always felt that were he a director, his very wide interests, many meetings to attend, and pressure of the affairs of the City Bank and of the City Company, would make it impossible for him to attend our meetings which sometimes last rather long and which occur twice a week. We would need to have an understanding with him about this. In general, I believe that what a director of his class gains from the Reserve bank in knowledge, experience, information, etc., is ample repayment for the sacrifice of his time in other matters. Besides that, it is probably the most important and dignified directorship of the country. Should it be arranged that he is to be nominated, the customary letter sent him by the Chairman of the Board should, I believe, be very carefully revised to cover the particular circumstances applying to his case, and any talk with him should be had by you and by Jack Reynolds, and not by any active officer of the bank, which would exclude McGarrah, Case, Harrison and the others. There have been old antagonisms between McGarrah's bank and the City Bank and that situation should be avoided, as well as Mitchell's

amour propre respected by having the matter arranged by yourself and by Jack Reynolds. Your being Vice Chairman of the Board and Reynolds being the retiring Class A director makes that a perfectly natural suggestion.

I hope this appeals to you as a reasonable discussion of the problem and not too urgent or definite a recommendation by me, which is something which I should myself avoid just now.

Sincerely yours,

Mr. Owen D. Young,
120 Broadway, New York City.

From Warren Papers

PERSONAL

August 20, 1928.

Dear Owen:

I shall burden you with only one other communication, but I fear it is rather long.

My illnesses for the last two years have delayed putting into effect certain changes of detail of the bank's operations which I have undertaken to explain in the enclosed memorandum.

While preparing this, it seemed desirable to expand it into an expression of some general views about the bank and the System. You may regard it as my testamentary direction to my successor. Should you require explanation of why I send this to you you may understand that it is because I have so high a regard for your judgment in these matters, such confidence in your understanding of my point of view and the purposes in regard to the bank, and, more humanly speaking, such a personal affection for you, that I shall feel more content to have you hand this to my successor with such comments and elaboration as you feel justified in making.

I am very anxious to see you soon for a little chat about some of these matters, but hesitate to draw on your time. If your secretary could telephone me suggesting what time would be convenient to you I can certainly arrange to meet your convenience any day before Friday. On that day I may go up to the country and stay with my son.

With best regards, and thanks also,

Very sincerely yours,

Mr. Owen D. Young,
120 Broadway,
New York City.

August 17, 1928.

There are certain matters in the work of our organization which require the thought and attention of the officers and which will only have the attention required if the head of the bank initiates plans for dealing with them and follows them to a conclusion.

They are grouped in this memorandum according to a rough classification.

I. INTERNAL DETAIL

1. The Forms of Reports Made to the Directors. These are not, in my opinion, satisfactory, and do not disclose the bank's position, the significant changes in its position by periods, the causes of the changes, and, finally, a summary of the transactions of the various departments. In some respects the reports are submitted in too great detail and much of the detail is not read and would not be very illuminating even if the directors did have time to study them. Each director now looks over the papers for some particular item or items in which he is interested. My idea of reports to directors is quite different from our present practice, and I would list the information to be submitted roughly as follows:

- (a) The statement of the bank with the figures so consolidated that only those items where changes are important to the directors are clearly brought out, and every change for the period covered should be shown and the cause of the change explained.
- (b) This will comprise all of the information in regard to our reserve, the members' reserves, changes in the investments, loans, bills, etc., the note issue and other material facts.
- (c) Communications from the Federal Reserve Board.
- (d) Foreign matters.
- (e) The money market and changes in general conditions.
- (f) The rate situation and recommendations for changes.
- (g) The usual detail.
- (h) Departmental reports. At intervals, suitable with regard to the importance of the department, each department should submit to the directors a brief comprehensible report of its transactions. This should include every department of the bank, the more important ones at frequent intervals, the less important ones more infrequently.

The whole subject of reports to directors should be overhauled.

2. Operating Reports to Officers. This requires more study and consideration than I have yet given to it, but the reports as at present being made are unorganized and they should be brought to a comprehensive whole by a careful study so that each senior officer knows every day what the whole bank is doing.

3. Filing System. Quite frequently within the last year or two I have called for papers which I know are in the files and have been unable to get them. Where I have examined some of the files I gain the impression that too much weight is given to filing by subjects and too little to filing under the name of the correspondent. My belief is that the bank should have the master file arranged by the name of the correspondent, and that file should contain the original of every letter received from every source and the first carbon copy of every letter sent to that correspondent. The subject file should be subordinate and dealt with largely by cross references. I am inclined to think that the complication of the present correspondence system is so great that we must perfect a subject and numbering system, and that Miss Parker should have the assistance of the best experts that can be had.

4. Personal Correspondence. We must have some better formula for dealing with personal and private correspondence of a confidential nature conducted by the senior officers of the bank which it is not possible to put in the bank's files. My own correspondence I expect to deal with myself in due time, but a satisfactory formula to cover the entire organization should be promptly devised.

5. Assignments of Officers' Duties. For the first time, I believe, in the history of the bank a serious mistake has been made in the assignment of duties to the senior officers. My retirement will now afford an opportunity to correct this, and it should be done before we become too deeply entrenched in an unbalanced and unscientific arrangement of the work.

6. The Relations of our Bank with other Reserve Banks. Almost every

difficulty which has arisen in our relations here has been due to misunderstanding

II. PROCEDURE IN EXTERNAL SYSTEM MATTERS.

6. Governors' Conference and Procedure. Most of the difficulties here have been due to the indifference of the Federal Reserve Board in the past. Delay in getting up a program, delay in reviewing the action of the conference, and the unfamiliarity of the Board with action previously taken and approved, has resulted in discussion and dispute and sometimes serious misunderstanding. I think much of this could be obviated by the preparation of a careful formula, circulated among the reserve banks, the members of the Reserve Board, and the staff of the Board, which should be printed and sent out with the program as an integral part of the program before every conference. Such a formula can be gradually developed so that everyone interested may be consulted in connection with the preparation for the conference and conduct of the meeting and action taken subsequent to the conference so that it will be productive of better results.

7. System Committees and Procedure. Here I think, with Governor Young's cooperation, a great improvement in our procedure can be effected. My idea would be to have the formula above mentioned contain a provision for the reference to system committees of all subjects which require special study either by the Federal Reserve Board or by the Federal reserve banks preliminary to the making of rules or rulings or changes of regulations. Much of the difficulty between the Reserve banks and the Board, and especially between our bank and the Board, has arisen as a result of rulings made by the Board which later need to be changed or reversed because of ignorance of all of the facts. The Board should stand ready at any time to refer questions to committees for study and report and recommendations, and the Board would not suffer in prestige by doing so, but would rather gain, because their rulings would be more intelligent and acceptable to the banks themselves. The banks would, in fact, be foreclosed from objection in many cases because the Board would have had their recommendations in hand before making such rulings.

8. The Relations of our Bank with other Reserve Banks. Almost every difficulty which has arisen in our relations here has been due to misunderstanding

- 4 -

resulting from lack of interchange of views. So much of what we do, affects the System as a whole, more than is the case with any other Reserve bank, that I think the other nearby and more important reserve banks should be consulted more frequently and more fully than they are. In fact, I should never think of recommending a change of discount rate (excepting in emergency) unless we had had some preliminary discussion with the other nearby Reserve banks. And the same applies to many of our other transactions. It is the best way to cultivate a good spirit in the Federal Reserve System.

III. THE CURRENCY

9. The Greenbacks. The growth of the capital and the surplus of the Federal reserve banks is certain in time to give rise to some legislation. At the end of this year the total will doubtless be \$375,000,000 or thereabouts. Our capital and surplus possibly will be \$115,000,000. It is greater than is needed and may some day invite the attention of Congress and its use for some purposes which might not be altogether satisfactory.

There is a great variety of possibilities for dealing with this, but I think possibly the most satisfactory would be at the proper time to make a proposal to the Government to pay off the greenbacks and take over the gold now held in the trust fund. It is not necessary to elaborate the detail of a plan. It would get the Government out of the currency business, give us \$153,000,000 of gold, and reduce the surplus of the Reserve banks gradually as the greenbacks came in by a very considerable amount, possibly as much as \$160,000,000 or \$170,000,000. Many of them have, of course, been destroyed and will never come in. It will save a big printing bill for the Government and eliminate one of the weak spots in our currency. If we paid them off they would simply be charged to our surplus and the currency replaced by issues of Federal reserve notes, and the burden on our reserve would not be great on account of the gold we would receive. The law should provide, of course, that we

would only pay off greenbacks which were surrendered to us before a stated date, and

any greenbacks not presented by that date would thereafter lose their legal tender quality and be retired by the Treasury out of current funds. This would enable us to close our account at a definite figure. There is precedent for this, as I recall, in what was done with old issues of Treasury notes.

10. National Bank Notes. There is almost certain to arise a demand for their retirement shortly after the new currency is issued. We should be well prepared in advance of that date with some kind of a program for the Treasury so that the "twos" may be dealt with in 1930 when they may be retired at the option of the Government. I should say that on no account can this be done, as things now are, in such a way that we are required to carry 40 per cent. reserve against Federal reserve notes issued to replace them. The Government should give us some kind of a low interest-bearing obligation which would give us a small revenue to cover our costs and a little over, and it would no doubt be proper to have our note issue take its place in the currency of the country as a fiduciary issue similar to that of the Bank of England and the Bank of France and others.

IV. CERTAIN SPECIAL MEMBER BANK MATTERS.

ii. Bancitaly. As I have already written to Mr. McGarrah I am definitely of the opinion that when Giannini applies to us for an extension of time in which to distribute the stock of the Bank of America we should decline to do so unless he will do certain things. The principal one is to furnish us with a complete balance sheet of the Bancitaly Corporation, and after examining it, I think we will feel justified, as the inducement for an extension, to require him to liquidate securities and invest the proceeds in Government securities or bills, which are eligible with us; with the understanding that they will be retained for use in protecting the position of the Bank of America (or the Bank of Italy indeed) in case any emergency should arise; and that his obligation to us in that respect will continue until the stock of the Bank of America is lodged in the hands of bona fide stockholders and fully paid for by them.

After the present storm blows over, I apprehend that Giannini will again be ambitious to create a large bank in New York. We have no undertaking from him not to extend his purchases in New York. On the other hand, it will be very difficult for him to do so and retain membership in the Federal Reserve System so long as the Reserve Board has the power to withhold approval where its approval is necessary in any particular. I would not hesitate to notify Giannini definitely and finally that we will oppose any effort on his part to establish a bank in New York City under his control or the control of any holding company such as the Bancitaly Corporation.

12. Jonases. They seem to be working diligently to improve the situation of their affairs. Somewhat the same attitude should be taken with him as with Giannini; the essential difference in the position is that "Jonas" is a purely domestic problem whereas "Giannini" extends from one coast to the other, with large foreign investments as well. With Jonas I should be inclined to insist right away that his holding company get in such liquid shape that it can help the Manufacturers Trust Company to any extent required at any time that any emergency arises.

13. Member Bank Borrowings. The tendency in dealing with this matter has at times been bureaucratic rather than personal and direct. Every time I hear the expression that a member bank has been in our debt for a continuous period or has gone out of our debt within a given period or borrowed in excess of capital, etc., I feel that the whole philosophy in this matter is wrong. Each member bank has its own problems. The "time" formula or the "basic line" formula applied generally to member banks, just makes trouble and does not fit many cases. With only a little over 900 members there should be no difficulty for the department handling these matters to understand the position of each member sufficiently well so as to deal with it as an individual case rather than to apply some purely arbitrary mathematical rule. If we are undermanned in the department to enable us to do this let us get more men. Here again, a simple formula, printed and in the hands of all of those interested, will greatly aid the handling of these matters. See the surplus reserve to repay. In some

V. THE CREDIT SITUATION

14. I am attaching a copy of a memorandum prepared by Dr. Stewart which was intended for my personal use only, and a copy of a letter which I wrote him in reply. It speaks for itself and I shall not comment on it.

15. Brokers' Loans for Customers and correspondents. I had intended to write a letter from abroad on this subject, but decided to await my return lest the letter be misinterpreted. I am now sorry that I did not write because the talk which I had the other day with Mr. George Roberts, jr., convinced me that the true significance of the large growth of the loans made by New York City banks for account of their customers is not fully understood by our bank. What takes place is about as follows, and is partly responsible for the expansion of loans and deposits which has recently occurred,

If a correspondent or customer of a New York City bank decides to use, say \$10,000,000 of a bank balance by making loans on the Stock Exchange the result on the banking position is that the member bank reduces its deposits by \$10,000,000 and reduces its loans by \$10,000,000. It makes no difference whether the reduction of loans occurs directly on the books of the member bank having the correspondent's account or on the books of other member banks, the result is to reduce the reserve requirements (in the case of New York) by 13 per cent. of the amount of the loans made. In other words it is just as though a New York member bank paid off \$10,000,000 of its deposits by turning over \$10,000,000 of its portfolio to a depositor. This releases \$1,300,000 of reserve and creates a surplus reserve balance in the Reserve bank. The member bank at once lends the surplus and thereafter, by the rapid process which we understand well enough, this \$1,300,000 forms the basis of an expansion of credit of another \$10,000,000 so that bank deposits and bank loans are not permanently reduced by the transfer of brokers loans from the ownership of the member banks to the ownership of their customers. An exception of consequence is where a member bank in New York owes money at the Reserve bank and uses the surplus reserve to repay. To some extent that process is taking place right now. Broadly speaking, however, I believe that much of the expansion of bank loans and deposits which occurred during the last

nine months or year can be attributed to this development and can be found to closely correspond to the expansion resulting from the reduction of reserve requirements on the one hand and the increase in loans resulting on the other hand.

16. The last months of 1927 and the first six months of 1928. There is no occasion to reiterate my belief that some of the difficulty at the present moment could have been avoided had our policy been more vigorous commencing the first of January. We are probably three months late. This may result in considerable criticism of the system at the time of my retirement. I am rather of the opinion now that within the next few weeks a careful judicial study of the situation last year and the situation this year to date should be published. It should be prepared in the form of a comparison of conditions in this period with the conditions in the corresponding periods of 1925-26 and of 1923-24. The country will be greatly enlightened and I believe some criticism avoided.

17. Hesitation. There is nothing so dangerous as a vacillating uncertain policy, and that danger has its effects six months or a year later when a present need for high rates and the consequences of such high rates becomes reflected later in a curtailment of construction and other business activities which might affect business unfavorably. This lag in the consequences of changes in our policy is one of the most difficult things to appraise, especially as to its duration. My present feeling is that the time has come to take some of the pressure off the money market without disclosing our hand more than is inevitable. This can best be done by taking over bills and any securities of a character which will not give rise to the belief that we have suddenly changed front. Large purchases of Government securities might easily revive the speculative tendency. The important thing is to lay out a program for a period ahead and then see it through without hesitation.

18. Dealing with an Emergency in the Money and Stock Market. We have four principal methods of handling a sudden break-down, which are

(a) By reduction of discount rates,

(b) By open market purchases of Governments,

(c) By Purchase of bills,

(d) By purchases of foreign exchange.

Discount rate reductions would probably not be effective unless market rates were first eased off.

Open market purchases of Governments disclose our hand.

Purchases of bills can be only limited in amount although we probably could buy bills directly from member banks to some extent and increase the amount by what can be had from dealers. We should now purchase ourselves any bills sold by our foreign correspondents.

Purchases of foreign exchange just now, except in special cases by arrangement with the correspondent, is not a very good method for dealing with an emergency. It puts us in possession of an asset which we might be embarrassed later in using.

My conclusion, therefore, is that a gradual increase in the bill portfolio, as rapidly as it can be brought about, is the first thing that can be done. But it is probably desirable that a combination of remedies for any emergency situation is more desirable than relying upon any one.

In a broad way, the situation presents itself to me at present about as follows:

Pressure of money rates was required to arrest the expansion of credit and to arrest over-borrowing in this country by foreign borrowers such as might put an undue strain upon our gold reserves, and, in fact, to bring about some reduction in foreign balances held here which may even now be too heavy. One of the consequences of this policy, of course, is to check the advance in the Stock Market. If carried too far either as to the level of rates or too long at the existing level, it might result in a serious, possibly calamitous condition in the stock market followed by some business liquidation and unemployment next winter, etc. On the other hand, if we buy Government securities in a large way there is ample evidence that there is some danger that we might again have a boiling stock market and that an increase in

the volume of credit might immediately result. Weighing the two contingencies as to their importance and as to the general consequences to the country of one development or the other I think it is in every way desirable to avoid a possibly dangerous situation by buying securities, even though stocks do advance, than to continue pressure to a point where we really had a serious deflation and business setback. The matter literally must be judged from day to day, and I urge that comparisons be made of previous periods, notably 1923/24 and 1926, to see whether they do not afford some guide. It might be a good plan also to quietly ascertain just how liquid some of our banks are as to securities that can be bought by the Reserve bank. This must be done with great discretion.

VI. GENERAL BANKING PROBLEMS

20. The Outlook for the Federal Reserve System for the long future presents possibilities of two developments, and I have never been able to see how one or the other can ultimately be avoided. One would be in the direction of a greater centralization of power in the Federal Reserve Board, and the other more in the direction of developing the local autonomy of the Reserve banks and more independence from Federal Reserve Board control or domination. The present balance, in my opinion, is too delicate and is dependent upon too many human factors to justify the expectation that it will continue indefinitely. I think the management of our bank should consider every question of System policy and every new issue with the Federal Reserve Board in the light of a possible ultimate development of the System along one line or the other. In any event I apprehend that the time is coming when dissatisfaction with the Federal Reserve Board will lead to an effort by Congress to reorganize the System. We should have that in mind, and when the first indications arise, should prepare ourselves for it and have a definite policy and program.

21. The Future of Central Bank Cooperation. Possibly the best understanding of the outlook can be had by a review of the periods which have developed since the Federal Reserve System was organized. I divide them into four distinct divisions.

First, the war period, when every consideration gave way to winning the war. This applied generally to all financial and economic factors.

Second, the immediate post-war period of complete confusion, where no constructive work could be undertaken with any hope of bringing about monetary reform and stability.

Third, the period of reconstruction of currencies which undoubtedly had its beginning in the Dawes plan, and from 1924 until now, in an astonishingly short time, the reorganization of practically all the important currencies has been completed.

Fourth, the period we are now entering, which I shall describe as the period of revival of competition, or economic contest.

During the first three periods, national and international jealousies and rivalries and efforts to obtain monopolies, trade privileges and the like were at a minimum. Now that budgets are balanced, debts are less menacing and currencies are reorganized, the principal European nations are being influenced by the feeling of strength and security which they have obtained, and the old evils of cut-throat competition are again showing themselves. It even enters into the policies of the banks of issue. My belief is that the time has arrived to keep out of any complications of the sort which the European banks of issue are likely to encounter. We have discharged our moral obligation to Europe, and there seems to me to be no further occasion for entering into arrangements which might embarrass us in any way, politically or financially.

22. The Finance Committee of the League of Nations. This matter has been so thoroughly canvassed that I shall make no further particular comment. We should have nothing to do with such an inquiry as the Finance Committee of the League proposes on the gold exchange standard, or gold shortage, or whatever it may be. I think we should make it clear to our banking friends abroad, as I have done with those with whom I have recently conversed, that we cannot cooperate in such a dangerous program.

There was some suggestion, almost a threat, at Geneva that if the finance committee abandoned the inquiry, they would be obliged to explain that they did so

because the Bank of England, the Bank of France and the Federal Reserve Bank of New York disapproved." Should the Finance Committee make any such statement I think we would be justified in answering them publicly.

23. Our Organization. This is the most important matter which I have in mind to discuss. The prestige and efficiency of the Federal reserve bank does not arise from the importance of the powers it exercises nor from the size of its capital and assets, nor from its fine building, nor from any material thing. It is entirely due to an organization of human beings who determine the policy of the bank and execute it. No business organization succeeds unless the people employed are inspired in some way to do a good job. The inspiration in an institution like ours which is not run for profit is the essential requirement for its success. It would never exist in our bank/^{or} in any other organization unless it were gained from the attitude of the head of the bank and his immediate associates. Every employe of the bank from the senior deputy governor to the porters and scrub women must be convinced that there is some one in the bank, and necessarily the head of the bank, who is always thinking of their interests, their welfare and their happiness. Failing that, any organization will disintegrate and in the case of our bank, efficiency and success will immediately be in jeopardy. Never should a year pass but something is suggested of a constructive and inspiring nature for the benefit of the organization. I frankly believe that such inspiration is founded upon the relationship between the head of the bank and all of the people in it, and it can best be described by the word, "affection."

From Hecman Collection
September 17, 1928.

Dear Mr. Young:

The accompanying copy of a letter from my physicial, Dr. James A. Miller, will I am sure make clear to our directors that it has now become necessary for me to resign my position as governor of the Federal Reserve Bank of New York. Dr. Miller expressed this opinion in Paris on August 27, following a full review of my physical condition, and at my request stated his conviction quite unreservedly after twenty-four hours' reflection. Since that date, as I have orally explained, the need for rest has become even more urgent because of an intestinal complication which will require constant attention. So I am compelled to submit my resignation to become effective at such date as the directors may determine.

It is quite impossible for me to express the regrets which I feel in leaving my associates in the bank and in discontinuing service in an organization which for fourteen years has given me the greatest joy and satisfaction. These feelings are not alone due to the interest and importance of the work, but are even more the consequence of the splendid cooperation and the hearty enthusiasm with which the entire organization has devoted itself to a great public service! It has been inspiring and worth every sacrifice.

I hope the directors and all of the officers and employes realize how greatly I have appreciated their loyalty and sympathy during my long illnesses and how deeply they have always held my affection.

Very sincerely,

Governor.

Mr. Owen D. Young,
Acting Chairman, Federal Reserve Bank,
New York City, New York.