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411 UNIVERSITY AVENUE

NOV 28 1915

NOV. 24, 1915

My dear Mr. Strong :

I want to thank you again for a very pleasant evening on Monday, and only regret that by misunderstanding your words "very informal" I did not appear in a "wedding garment."

If the paper recording the five questions and answers thereto which you read is not considered so confidential as to not permit of my having a copy, I would like to secure a copy of it in order to have information contained in the answers. Be perfectly frank, however, in not sending it if you do not think it proper to do so.

With kind regards to the "trio",  
I remain

Hon. B. F. Strong  
New York

Very truly yours,





Marlborough-Blenheim  
Atlantic City, N.J.

Tuesday, Oct. 12, '15

My dear Governor.

The enclosed clipping from a 'Phila' paper thus a. m. leads me to ask whether it would not be wise (in so far as it is possible) to have your presence (as Gov<sup>r</sup> of the N.Y. Federal Board) kept out of the 'press', in their accounts of such meetings just at the present time at least? With kind regards I am

Sincerely,  
R. V. Brown

R. V. Brown

Merely a suggestion;  
no answer necessary.



BENJ. STRONG, Jr.

ROBERT H. TREMAN PERSONAL.

ITHACA  
NEW YORK

178

Dec. 24, 1914

Dear Governor Strong :

Two or three days since I sent you a box by Adams express, charges pre-paid, containing a few apples of two different varieties, which I hope you and yours may enjoy, with the compliments of one of your "country Directors".

I wish for you the happiest of Holiday Seasons and that the New Year may bring you the richest blessings.

Permit me, in addition, to assure you how great has been my pleasure in working under your leadership in the New York Federal Reserve Board, and in this association my respect for your ability and wisdom has constantly increased, and I trust that still further success may attend it. It is indeed a privilege to be associated with you and the other Directors, and I hope that the friendships thus gained may continue.

With kind regards, I remain

Very sincerely yours,

Hon. B. F. Strong, Jr.  
Federal Reserve Bank  
62 Cedar St., New York



# ...GE RATE AGAIN ...PS; BANKERS MEET ...O FIND NEW REMEDY

Pound Sterling Back to  
\$.467 $\frac{1}{4}$  Despite Success  
of Big Loan

## MAY FLOAT NEW ISSUE

Dollar Threatens to Replace Eng-  
lish Money as Standard  
of World

NEW YORK, Oct. 11, 1915

Foreign exchange rates went down again today, in the face of the successful flotation of the \$500,000,000 credit loan to Great Britain and France, to their lowest point since September 15.

So disquieting was the situation that a three-hour meeting, attended by Wall street bankers and Sir Edward Holden, of the Anglo-French financial commission, was held late in the day at the National City Bank for the reported purpose of devising a new method to bolster the value of the English pound sterling.

Since the arrival of the commission here September 10 the trend of sterling values has been steadily though slowly upward.

For the last week sterling has been selling at about \$4.72. One day recently it went as high as a fraction above \$4.73. Today it sold down to \$4.67 $\frac{1}{4}$ , too low to make continued buying of American exports desirable from the British point of view.

The meeting held today, it was reported, was primarily to reach an understanding as to the best method of us-

ing the \$500,000,000 to stabilize exchange, and also with a view to arranging a private agreement between New York and London bankers for credits which would tend to send the value of sterling up in this foreign exchange market. A supplemental credit of \$250,000,000, it is said, was discussed.

To what extent American bankers would be prepared to advance credit to London bankers, if at all, was a matter of surmise. Many millions, it was thought, would be needed to restore the rate on sterling to nearly normal. The arrangement would involve private financing on a scale secondary only to the flotation of the mammoth Anglo-French loan, and probably would be a private arrangement between groups of large banks.

At today's meeting were Benjamin Strong, Jr., governor of the Federal Reserve Bank of New York; Frank A. Vanderlip and James H. Perkins, president and vice president, respectively, of the National City Bank; Charles H. Sabin, president of the Guaranty Trust Company; W. H. Porter, of J. P. Morgan & Co.; James Brown, of Brown Brothers & Co.; J. S. Alexander, president of the Bank of Commerce.

Foreign exchange experts of several financial institutions also were present. Reports were reported to be unanimous the opinion that there would be a sharp decline in the value of the dollar when the \$500,000,000 loan would have been fully paid. The elimination of the dollar as the standard of world finance and the substitution of the dollar as the standard at the end of the war. A supplemental credit of \$250,000,000, it was reported, would be floated under these conditions by the banks and banks offered to the

S. 1800

NO DEATH

LOST AND FOUND

LOST, NEAR CHELTENHAM, Highland terrier, with blue collar, name of Robbie. Liberal reward. Pearce, St. Davids, Pa.

LOST-LADY'S HANDBAG, SUMMERNOON at 13th and Walnut street, 105 South Camac street.

HELP WANTED—MALE

BILL CLERK: LARGE ORDER TRADE; H... 8-5; salary \$18; advancement. T 25, North A... ican.

BOY, LIVING IN GERMANTOWN, TO RE... affords and make himself useful in ship... ping room; state age, reference, where las... employed; chance of advancement. T 24... North American.

BOYS, 16 TO 18 YEARS OF AGE, NEAT IN... appearance, as stock clerks. Apply Bureau... of Employment, before 11 A. M.; 4 1/2 floor... STRAWBRIDGE & CLOTHIER.

BOY, YOUNG, FOR OFFICE WORK. 201... East Letterly street, Kensington.

CANVASSER, MUST BE OF NEAT AP... pearance, for a new house-to-house proposi... tion, salary and commission; good opportunity... Apply 4 P. M., sixteenth floor, North America... Building.

CIGARMAKERS ON FINE HAND WORK. AP... ply 932 Market street.

CLOTH WEAVERS WANTED, APPL... John & James Dobson, Inc., blanket mills... Scotts lane, Falls of Schuylkill.

CLOTHING SALESMEN, EXPERIENCED... wanted, Perry & Co., 16th and Chestnut stis.

ELEVATOR MAN, COLORED, WANTED... with license. Apply personally, University... Hospital, 3400 Spruce.

FITTERS WANTED IN A MASSACHUSETTS... shop, familiar with drawings; fitting struc... tural work; squad boss over 5 men; write ex... perience, age, etc. C. W. Higley, 1233 K... lunny street, Harrisburg, Pa.

FOREMAN ON FLANNELETTE... gowns and house dresses. Gor... 121 North 7th.

GOOD MEN FOR BOILER SHOP; STEADY... work. The Pusey and Jones Company, Wil... mington, Del.

LABORERS WANTED FOR OUT-OF-TOWN... work; positions permanent; wages, 20 cents... per hour. Apply 36 North 16th.

MAN, WHITE, WANTED FOR GENERAL... work. Apply at hospital, 2121 North Col... lege avenue.

NIGHT DOOR MAN WANTED. APPL... personally, University Hospital, 3400 Spruce

OFFICE BOY, AGE 16, NEAT IN APPEAR... ance; opportunity for bright, energetic boy... to learn business. Apply after 9 o'clock, Taf... tersfield, 32 Letitia street, near Front and... Chestnut.

WANTED... LATHES AND PLANER... hands; steady work, good wages; in desirabl... shop and location; give references and ex... perience. Address Gurney Electric Elevator... Company, Honesdale, Pa.

General

CHAUFFEURS—DON'T BE FOOLED; SPEND... YOUR MONEY WHERE YOU GET RE... SULTS; if you want to learn the AUTOMOB... ILE BUSINESS RIGHT, don't go to the H... the cheap shop on the back streets, but go t... the OLDEST, LARGEST and BEST PLAC... FOR AUTOMOBILE INSTRUCTION IN TH... COUNTRY and ask for MR. ROBERTSON... MAIN OFFICE, 629-631 N. BROAD ST.

12 YEARS AGO I STARTED SMALL... mail-order business at home in spare tim... with a few dollars capital; I wanted to mak... \$80 to \$40 a month evenings; the net profits th... first year averaged \$200 a week; 5 years' wor... netted me \$50,000. I will show you how t... start a small mail-order business. Send... for my proposition. It's interesting. ... vassing, Heacock, Box 692, Lockport.

911 NORTH BROAD STREET... Robertson's old original... AUTOMOBILE SCHOOL... teaches you how to repair... and how to drive autos.

911 NORTH BROAD STREET... PROSPECTIVE CHAUFFEURS—LEARN THE... business thoroughly while working for us; 4... to 6 weeks; small cost; driving included; day... or evening; license guaranteed; write or call... Modern Auto Company, 811 1/2 North Broad st.

AUTOMOBILE WORK IN ALL ITS... branches taught quickly; road lessons given;... expert teachers; complete course, \$18. Day o... night classes. R. O. Gilkes, 614-618 Brown s...

RAILWAY MAIL CLERKS WANTED... month; Philadelphia examination;... write immediately. Franklin I... department S, Rochester, N. Y.

INTELLIGENT PERSON MAY... \$20 weekly during spare ti... writing for newspapers. Send... Press Syndicate, 507.

ABLE-BODIED ME... brakemen, \$120 mor... essary. M 5, North...

AGENTS - BR... aluminum tri... tachable hand... one burner; sa... \$300 per mont... 400 other sp... Manufactur... Lemont, Ill...

ROBERT H. TREMAN  
ITHACA  
NEW YORK

*R. H. T.*  
DEC 27 1915

My dear Governor :

Will you permit me at this season to express my appreciation of your many courtesies to me manifested at different times, and to further express my great satisfaction in being able to serve on the same Board with you, as I have grown to not only respect your great ability, but have valued more and more the friendship which, on my part, at least, has grown with these months.

I desire that the New Year may bring to you and yours great happiness and contentment, and that you may be given health and strength to carry on the great work to which you are committed.

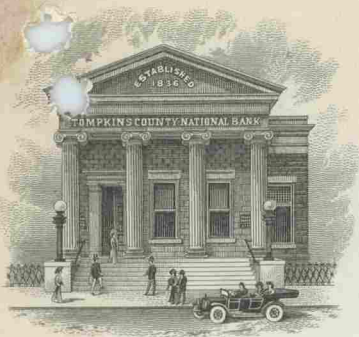
Very sincerely yours,

Hon. B. F. Strong, Jr.  
62 Cedar St.  
New York City

*R. H. T. Tremain*

December twenty-third  
Nineteen fifteen





# THE TOMPKINS COUNTY NATIONAL BANK

ESTABLISHED 1836

R. H. TREMAN, President  
J. C. GAUNTLETT, Vice-President  
A. G. STONE, Cashier  
D. N. VAN HOESEN, Asst. Cashier

ITHACA, N.Y. April 21, 1916

178  
R. A. G.  
APR 25 1916

My dear Governor :

Just a word of greeting  
and an expression of gladness that you  
are back again safe from your somewhat  
perilous trip.

I am anticipating with  
pleasure hearing an account of your  
trip, and have no doubt that it has been  
most useful, and I hope, in addition,  
that it has enabled you to have the  
rest which you had so well deserved,  
and that as well you feel physically  
benefitted by the trip.

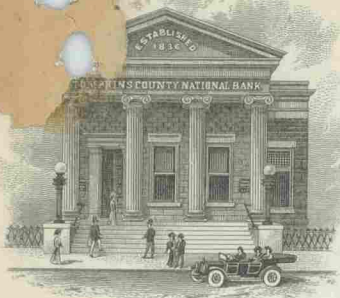
With kind regards, I  
remain

Sincerely yours,

R. H. Tremen

Hon. Benj Strong  
62 Cedar St.  
New York City





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D. N. VAN HOESSEN, Asst. Cashier

178  
ITHACA, N.Y. May Eighteen  
Nineteen Hundred Sixte

12-A-4.  
MAY 18 1916

My dear Governor :

I received your telegram last evening, and your letter by this morning's mail.

From your telegram I am led to think that possibly you may have thought the invitation was for this week May 20th, whereas the Spring Day and races are next week Saturday, May 27th, so I am writing to repeat the invitation for Saturday, May 27th, next week, hoping that you can still arrange to be here and enjoy the diversion and recreation.

May I ask that you will kindly wire me on receipt of this letter as to the possibility of our having you with us next week Saturday, May 27th ?

Very truly yours,

*R. H. Terman*

Gov. Benj. Strong  
Federal Reserve Bank  
Equitable Bldg.  
New York City

ROBERT H. TREMAN

ITHACA  
NEW YORK

178  
Sunday. June 18-16

My dear Governor -

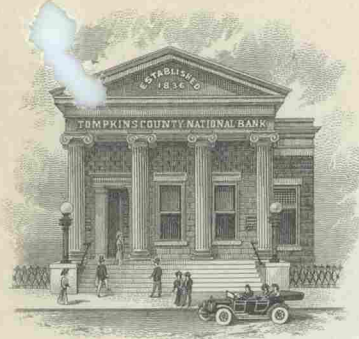
Just a word of greeting  
and to express the hope that you are  
not overtaxing yourself but are saving  
all your strength which just now you  
need to do - I am looking forward  
to your soon leaving the fog - the damp-  
ness and the noise of New York to  
live the "open", to breathe the fresh  
tonic air, to bask in the sunshine  
and to speedily regain your strength  
and vigor which we all want you to do,

being stopped, even temporarily, in the work we  
are doing, especially if it is absorbing, but the  
Heavenly Father knows better than we do, that  
often a rest, a dropping of the work even if  
is enforced for a while, is wise - it does give  
time for meditation and thought - for consideration  
of the things "worth while" - the things eternal,  
and when we return to work - we have a clearer  
vision and better judgment - as to what we should  
do and what not to do in our effort to be  
of real service in the world - Forgive this long  
letter - just believe that you have our deep  
affection - do your best to gain every day and  
may God add His blessing - Faithfully Yours,  
R. T. Brennan

In the joy and pleasure of seeing your success in the development of the 'Reserve Bank' - In the knowledge of that you were the leading factor in this great constructive work, we all apparently were too blind to the fact that you were overtaxing yourself and were drawing too much on your reserve strength and energy = we should have known it but did not - unfortunately and now we are all the more anxious to have you use your vacation with the single thought ~~in view~~, to have the one purpose in view i.e. to regain your vigor and strength and to be better than ever before. - No one enjoys.



Strong Papers  
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# THE TOMPKINS COUNTY NATIONAL BANK

ESTABLISHED 1836

R.H. TREMAN, President  
J.G. GAUNTLETT, Vice-President  
A.G. STONE, Cashier  
D.N. VAN HOESEN, Asst. Cashier

JUN 27 1916

ITHACA, N.Y.

June 23 1916

FEDERAL RESERVE BANK

My dear Governor :

That was a mighty nice letter you wrote me on June 21st, and I appreciated it.

I had, by telegram yesterday, an announcement of the creation of the Deputy Governorship, and that I had been chosen to fill it temporarily, but Mr. Jay's letter has not yet reached me giving details.

I hope to begin work next Tuesday morning, and shall do my best to contribute all that I can to the smooth running of the Federal Reserve bank, but at no time have I been over confident as to my ability to be of much assistance. It will be an inspiring thought, however, that I am doing something to help you get well and be back on the job, and this alone would be compensation sufficient for whatever sacrifices I may be called upon to make in taking up this work.

During our association I have grown to not only admire and respect your ability, but with it has come a deep affection for you personally, and my very best wishes go with you in your rest, and I shall hope to keep in touch with you from time to time with the thought that you will be interested in the details and will contribute what you can from time to time towards our common goal.

My very best regards to you and yours.

Sincerely yours,

Hon. Benj. Strong, Jr.  
903 Park Avenue  
New York City



FEDERAL RESERVE BANK  
OF NEW YORK

July 20<sup>th</sup> 1916

My dear Governor =

The Pres.<sup>+</sup> of the Amer. Ex.

N. Bk here has offered Mr Higgins an  
Assistant Cashier at <sup>+</sup>5000 per year.

Mr H's salary with the Fed Res Bk  
is <sup>+</sup>3500 = - I have suggested to Mr H.  
that he hold the matter in abeyance  
until Mr Jay returns.<sup>2</sup>

Have you any suggestions or  
recommendations =<sup>2</sup> Excuse haste as  
I go home tonight = Sincerely = R. N. Human

FEDERAL RESERVE BANK  
OF NEW YORK

August 28, 1916.

My dear Governor:

I have your letter of August 24th and I can tell you that the last paragraph, in which you told me of your improvement, was the best news I have had in many a day, and I am sure will be most welcome to all of your old associates. By all means follow up religiously the routine prescribed, and I hope that Mrs. McLaren will limit you to a reasonable amount of work.

We have just had a long call from Mr. Buck, president of the Jefferson County National Bank, who seems to be a loyal supporter of the reserve system and asked if there was anything he could do to assist in the work. I suggested that if he would have his tellers sort out gold certificates and send them in to us from time to time, and other banks would do the same, withdrawing the certificates from circulation, it would be a good thing.

I will ask Curtis to send you a detailed report of his meeting with Secretary McAdoo, provided he has not already done so. He returned this morning from Boston, where he remained after the governors' conference.

I sent you Saturday a very crude detailed report of the governors' conference, which I hope you will receive in due time. The general impression at the governors' conference was that Governor Harding had softened and was quite judicial in his utterances.

I am glad that you are writing Mr. Warburg about the Kansas City Convention, and I am writing to-day to Governors Fancher and Wold, who have thought they might attend, urging them to be present, and it probably would have a great influence on such governors as you would choose to write to, if you were to urge them personally to go, and to me their presence is high-

8/28/16.

ly desirable.

I note that you will soon be ready to take on more work, to which we may assign you, but I personally should be in favor of prescribing certain regulations against your doing any more than what is absolutely necessary, except that in connection with the B. of E. matter, we shall have to call on you from time to time, if the Board approves of the plan.

I will have prepared a memorandum in re gold transferred to other banks and to the Gold Settlement Fund, and forward it either in this letter or within a day or so.

Mr. Curtis will write you about the B. of E. matter, sending you a copy of our formal application, and I sent you Saturday the copy of the memorandum as it will go to Washington.

The letter for Deputy Governor Cokayne has not been sent, as we are awaiting the result of the action this week.

Regarding the cost of operating the Transit Department, we are having figures made up by Mr. Higgins as to the cost, but we hope to reduce it to 1 1/4<sup>c</sup>, or possibly 1¢ per item. It was generally assumed that we would begin September 1st to bill out cost of this work, and a committee of Messrs. Hendricks and Hart was appointed to prepare a uniform bill for rendering to the member banks.

Mr. Curtis goes to Washington to-night to present the application and to be there in case he can do any good in furthering the progress of our application. Mr. Jay will probably go with him to consult about the Clayton Act.

Mr. Warburg telegraphed, inviting Messrs. Jay and Curtis and myself to dine with him at the Belmont to-night, so I assume they will all go down to Washington together.

I note what you say about Mr. Morgan, and it is a very great disap-

[ See  
Curtis file ]



pointment that there should anything arise to prevent the coming into the system of some of the large trust companies at the present time, when it would do much good.

Mr. Higgins has had offers from the National City and from the American Exchange, and we are to bring this matter before the directors who meet this week.

We are putting into effect in the Transit Department the block system to-day, and two of the four blocks checked up the first time through and they are now checking up for the second time in the other two blocks, but I believe that is the proper system for us to use.

We had quite a fright in the bank this morning on reading in the Financial Chronicle of Saturday that the proposed amendment permitting the "three days of grace had not gone through, but on Mr. Curtis telephoning Governor Harding, he found that Mr. Glass had crowded it through just at the last minute, so that the conferees' recommendation will probably carry.

I hope to get away for ten days or so on Thursday of this week and will probably be at Meacham Lake, Franklin County, N. Y., up to Tuesday, September 12th.

I am very glad that you may begin to take some more exercise and hope that your cheeks will "blossom like the rose."

With kind regards, I remain,

Sincerely yours,



Benjamin Strong, Esq.,  
"The Lewiston,"  
Estes Park, Colo.

RHT/CEP



Lake Meacham Hotel  
Meacham Lake, N.Y.

R.H. Truman

Sep 10 -  
1916

SEP 10 1916

My dear Governor.

Greetings from Lake Mea-

cham to you at Estes Park!

Your recent communications have been forwarded to me here and I have enjoyed hearing from you tho' I regret that owing to your indiscretion (forgive the word) you were like the naughty boy - "sent to bed", and after proper penance you recovered of course -

I have been here for a week now and it has done me much good -

Mrs. D. Bob (my older son) and I traveled here via Syracuse - Watstown - Pottsdam + Malone (275 miles) and thence to John Carlisle (Ex-Supt of Highways N.Y.) The roads in the north-  
ern part of the State are simply first  
class and we traveled on Macadam  
roads practically all the way -



I am sitting <sup>2</sup> now facing Lake M  
with the mountains beyond and it is  
"one grand picture" - You are familiar  
with Mountain-Lake - Caywood Pond - 5 Regis  
& the many beautiful lakes thro' the  
Mts - the unimproved Roads are opening  
all this beauty to thousands who  
would thro', who otherwise never  
would see and enjoy the beauty of  
it all - We can easily reach  
the Gay-Letts at Paul Smiths (where  
we have played several times) -  
Loon Lake - Lake Placid (course is  
about 6300 yds and one of the best-  
in the country, not considering its  
beautiful "setting" one of the most  
beautiful imaginable) and with  
fishing - rowing - tramping I am  
getting in a good diversified va-  
cation and have banished, pro tem,  
"Care and Sorrow" and Bowditch's.

3

My journey toward this week &  
I hope to report for you again  
on Tuesday the 20<sup>th</sup> -

I was glad to hear that Mr Higgins  
has decided to remain with the Fed. R.  
Bk - Mr Jay & I talked with him  
before I left and I then hoped he  
would decide to stay - He adds strength  
to the organization of junior officers  
and they wanted him to remain. -

Regarding the President of the "Unicom  
Film Service Corp" I agree with  
you in your thought, that the form  
of prospectus was due to "a proper"  
appreciation of the fitness of things  
being lacking in him - I do not  
think he would want to injure the  
Bank, even if he was benefited  
personally thereby - I hope Jay and  
I can handle it with satisfactory results.

Regarding Mr. Kavis view that the  
 "Foreign business" should be handled  
 by a separate organization in N.Y.  
 tho' an adjunct of the N.Y. Fed. Bk.  
 would say that when he gave voice  
 to this view in Boston, I do not think  
 that anyone else expressed ~~themselves~~  
 as approving of this proposal -

Personally it does not appeal to me  
 at all - If the N.Y. Bank is to be  
 responsible for the handling of the  
 Foreign business, as seems to me must  
 be the case, it should be free to work  
 out its own methods - Employing such  
 experts, <sup>as</sup> may be necessary for the  
 proper conduct of the detail, and  
 then having the other Elmore Banks  
 participate to such extent as they  
 may desire as is now done in the  
 investment field = Unquestionably  
 the bulk of the Foreign business



1919

Lake Meacham Hotel  
Meacham Lake, N.Y.

5-

does and will center in N.Y. altho  
much may be done through New Or-  
leans - San Francisco &c.

The arrangements should be between  
the Board of — and the N.Y. Fed Res.  
Board - It being understood of course  
that the other Banks participate

Possibly Mr. Kains has the feeling  
that San F. does not want it to  
center in N.Y. —

Regarding the relations of the Fed R.  
Bks with the U. S. Govt. — I think I  
am on that Com. and I have your  
memo. saved to present at the  
proper time — I imagine that this  
matter will not be hurried but

will be taken up deliberately —

The Ann. Business Convention  
ought to be a good one with

Mr. Warburg - John Skellern Williams Esq

6  
Mr Vanderlyp - Mr Harding & others  
Present - I am delighted that  
Mr Warburg will be with you for  
a while - and what a banking feast  
there will be for you both -

I may motor over to Loue Lake  
this week and if so I shall hope  
to see Mr W. as I strongly wyped  
him to go to Kansas City and hope  
he will address them on 'Banking  
Reserves - the Gold Situation' &c.

He becomes discouraged I think  
with the way things go some times  
but we must all remember that  
Evolution is much safer than  
revolution and it is really re-  
markable what great results have  
been achieved, thanks to you - Mr  
W. and others, and the influence  
for good already noticeable in the  
Country from the operation of the act.



ESTABLISHED

Lake Meacham Hotel  
Meacham Lake, N.Y.

1  
Now, my good friend, just re-  
member that you are the hub in  
this big wheel and devote your-  
self - yes consecrate yourself - to  
gaining renewed health - strength and  
vigor, to carry on the next steps -  
Forgive this long Sunday scrawl  
and just remember that our thoughts  
are with you always - that we  
are "willing workers" in helping carry  
on your work and creation, the  
W. Y. Bausil, and do your best.

Ever faithfully & affectionately  
R. H. Berman

Expect to send you another install-  
ment in a day or two - even if  
the pens are poor - Can you stand it?

B.S.  
Pen

FEDERAL RESERVE BANK  
OF NEW YORK

September 20, 1916.

R.A.H.  
SEP 20 1916

Dear Governor Strong:

I was mighty glad to hear that you had been taking a week off with your friend, Professor Crampton, and I am much pleased at your statement, "Results are at last being achieved," which is the best news I can have.

I told the officers this morning that you were pleased that Mr. Higgins was to remain with the bank, and I will show him personally the extract from your letter.

Mr. Towne told Mr. Jay this morning that while he personally would prefer not to stand again, if we thought it was best not to have any change now and if it so worked out, he would be willing to stand for re-election provided that after your return, or in a year or so, he would be free to resign, if he desired. Mr. Jay and I will have a talk with Mr. Woodward and meanwhile, this morning, we talked with Mr. Alexander and asked him to ascertain the sentiment of some of the principal bankers here as to Mr. W.'s re-election.

When we receive the letter which you have had translated from Governor Pallain, we will give it consideration, as you suggest.

Regarding Mr. Higgins, I think it would be a good thing for you to write him direct, expressing your pleasure that he has decided to remain, and I think he is happy in his decision. We will probably have to readjust others around the first of the year, but that can be taken care of later.

We had a directors' meeting this morning and all were present, including Mr. Locke. There was some discussion over the selling of the one-year 3% notes, of which we now have about two and a quarter millions, one and

9/20/16.

a half millions of which mature April 1st. It was finally thought wise to sell some of the notes to get them started, and hold the balance.

We have made application for the conversion of about two million government 2s into 3% bonds and one-year notes, which will be done as of October 1st, I assume.

I am sending you to-day an analysis made of the cost in the Transit Department of handling the items, and you will note that the cost now is about nine-tenths of one cent per item, so that the directors decided, on the recommendation of the officers, that we charge the member banks 1¢ per item as being the approximate cost up to September 1st of the handling.

We have a report from Mr. Holmes, vault engineer, giving the present status of the vault work, in which he shows that the lining is about half finished, as is most of the other work, and that they expect to have it ready between January 1st and 15th.

No change was made in the rates of discount but the special rate for fifteen day paper was made 3%.

I expect to go up to Mamaroneck to-night to stay with my friend, Colonel Sackett, and to-morrow and next day play golf at Apawamis in the Seniors' Tournament, this completing my formal vacation.

Hoping that you are enjoying this season at Estes Park and that later you will be located satisfactorily elsewhere, as you suggest, and with kindest regards, in which all the officers join me, I remain,

Sincerely yours,

*I think of you often.*



Benjamin Strong, Esq.,  
"The Lewiston,"  
Estes Park, Colo.



SEPTEMBER 12TH, 1916.

DIFFERENT KINDS OF CASH HELD BY MEMBER BANKS

(In thousands)

	<u>National Bank Notes</u>	<u>Federal Reserve Notes</u>	<u>Gold</u>	<u>Legals</u>
Central Reserve City Banks	4,246	3,401	287,840	38,287
Reserve City Banks	21,295	5,141	165,263	24,300
Country banks	<u>36,697</u>	<u>6,282</u>	<u>209,919</u>	<u>42,514</u>
	62,238	14,824	663,022	105,101

RATIO OF CASH HELD TO TOTAL NET DEPOSITS

	<u>Total Net Deposits</u>	<u>Lawful Money in Vaults</u>	<u>% of Deposits</u>	<u>Other Moneys in Vaults</u>	<u>% of Deposits</u>	<u>Total</u>
Central Reserve City Banks	2,711,000	326,127	12.02	7,647	.28	12.30
Reserve City Banks	2,839,000.	189,563	6.67	26,436	.93	7.60
Country banks	<u>4,697,000</u>	<u>252,433</u>	<u>5.37</u>	<u>42,979</u>	<u>.91</u>	<u>6.28</u>
	10,247,000	768,123	7.45	77,062	.75	8.20

PERCENTAGE OF RESERVE TO TOTAL NET DEPOSITS  
REQUIRED UNDER ACT

	<u>In Federal Reserve Banks</u>	<u>In Vault</u>	<u>Optional</u>	<u>Total</u>
Central Reserve Cities (18)	6.88	5.90	4.92	17.70
Reserve Cities (15)	5.52	4.60	3.68	13.80
Country banks (12)	4.12	3.30	2.48	9.90

COMPARISON OF VAULT RESERVES CARRIED  
UNDER OLD LAW AND UNDER FEDERAL RESERVE ACT.

% of Total Net Deposits

	Average from Feb. 5, 1909 to Aug. 9, 1913.	Nov. 10, 1915.	Dec. 31, 1915.	Jun. 30, 1916	Sep. 12, '16
Central Reserve Banks	25.5	16.41	15.	14.86	12.02
Reserve City Banks	12.7	7.42	7.24	7.06	6.66
Country Banks	7.5	5.75	5.56	5.52	5.37

RESERVES REQUIRED IN FEDERAL RESERVE BANKS  
UNDER SUGGESTED PLAN WHICH WOULD MAKE NO REQUIREMENT  
AS TO VAULT RESERVES.

Central Reserve Banks:

12% Demand Deposits ) 11.80 against 6.88 present Act  
3% Time " )

Reserve City Banks:

9% Demand Deposits ) 8.28 against 5.52 present Act.  
3% Time " )

Country Banks:

6% Demand Deposits ) 5.10 against 4.12 present Act.  
3% Time " )

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FEDERAL RESERVE BANK  
OF NEW YORK

September 26, 1916.

My dear Governor:

We were all mighty glad to have a telegram from Mr. Warburg, advising us that he had spent Sunday with you and that he had found you looking much improved. This certainly is good news to us.

With this improvement will come the temptation to you to let down in your training and to overdo in your work, and you must, for the sake of your friends, as well as your own, guard against this by living up strictly to the rules and regulations, playing the game fairly.

I enclose a clipping from this morning's New York Commercial in reference to the provision that member banks could be permitted by the Federal Reserve Board to accept up to 100% instead of 50%. Possibly you have seen it through other channels.

A letter from Governor Harding this morning proposes that we ship our surplus silver certificates to New Orleans Subtreasury and possibly to Cincinnati and St. Louis, receiving gold certificates at the Subtreasury in New York in return for same, and this we will do if we can arrange the details satisfactorily.

We are running rather shorthanded now with Mr. Kenzel, Mr. Curtis, and Mr. Hendricks away, but I hope that after a few more weeks we shall have our force complete and can perhaps give more attention to the more important problems.

We shall have the question of election of directors in place of Messrs. Woodward and Towne before us soon, and I am not sure that Mr. Jay



9/26/16.

has had a talk yet with Mr. Woodward for a final decision. It seems to me that we should keep Mr. Morgan as the Advisory Member for another year in view of present conditions.

I am ordering two or three books to send you in hopes that they may interest you and that you have not read them all.

With kind regards, I remain,

Sincerely yours,



Benjamin Strong, Esq.,  
"The Lewiston,"  
Estes Park, Colo.

RHT/CEP  
Enc.

P. S. --- I had a call from Baron Sakatani and Mr. Ichinomiya of the Yokohama Specie Bank to-day. The Baron is the minister of finance, and I entertained them for a while and had them lunch with me at the Bankers' Club.

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FEDERAL RESERVE BANK  
OF NEW YORK

*B.A. Jr.*  
OCT 4 - 1916  
September 26, 1916.

My dear Governor:

I returned from my vacation yesterday morning, although I was here two or three days of last week. I spent Thursday and Friday with my friend Colonel Sackett at Mamaroneck and we played golf at the Apawamis Club in the Seniors' Tournament on Thursday and Friday. I made 92 Thursday and 93 Friday, and assume it was a fair score considering my inexperience with the course. It was really a great pleasure to see from 150 to 200 men from 55 to 80 years old driving off from the tee in pairs every ten minutes, and to note with what pleasure and abandon they entered into it all. It recalled the pleasant day you gave me at Greenwich last year, and permitted the hope that we may have similar pleasure next year.

We just received a telegram from Mr. Warburg, advising against the selling of the one-year 3% notes maturing in April and July. It is rather late, because we have already sold, as I reported to you yesterday, a large portion of them on the basis of 2 5/8. It is possible, of course, that we may have them offered back to us to some extent at least after the tax period.

With kind regards, I remain,

Sincerely yours,

*R. A. Johnson*

Benjamin Strong, Esq.,  
"The Lewiston,"  
Estes Park, Colo.

RHT/CEP

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FEDERAL RESERVE BANK  
OF NEW YORK

September 27, 1916.

My dear Governor:

Yours of September 23rd reached me this morning and you need not worry about my holidays, as I had a very nice vacation, am feeling well, and my friends seem to think I am in fine condition.

You will be interested in knowing that our Collection Department is working more smoothly all the time, and I talked yesterday with Mr. Jefferson about the advisability of our studying this department especially, and the other departments of the bank, as to the individual efficiency, just as soon as we have them so that the work is progressing smoothly and satisfactorily. Under the block system the differences are generally a few cents, and a number of the "blocks" give an even balance on the first line-out. They are still working at the differences in this department and they now have a surplus of about \$14,000. and they have checked up all of the deficit. We will keep at it until we get to the end, and I hope will balance without much difference either way.

I asked Mr. Alexander for the clearing house information you desire this morning, and found that they do not include any overhead in their cost and up to the present time their cost per item is 6.7 mills or 4¢ per thousand dollars. Mr. Gilpin told me that they included no overhead for rent, light, heat, administration, or any other item except the actual items incurred in handling the collections.

You will note from the detailed sheet I sent to you that we have included what would seem a reasonable amount for overhead, and it is the opinion of the junior officers that we will gradually reduce our cost to



3/4 of a cent per item or less, so I hope you will have no anxiety further about it.

I note by the morning papers that the country bankers had an informal meeting and are to petition Congress to relieve them from the free collection system, but the testimony of a number of bankers who drop in at the bank is to the effect that the system is working very satisfactorily and they approve of it, and it is only the opposition of the small country banks, who have lost their exchange, that seems to be in evidence.

I am glad that you are to see Governor Aiken and your other friends, and hope that you will have a fine time, but "keep on the brakes."

Have you given any more thought to our accumulation of gold, and in what ways it may be done?

Mr. Jay returned from Canandaigua this morning and is to have a talk with Mr. Woodward to-night about his directorship in this bank for the next term.

With kind regards, I remain,

Sincerely yours,



Benjamin Strong, Esq.,  
"The Lewiston,"  
Estes Park, Colo.

RHT/CEP

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FEDERAL RESERVE BANK  
OF NEW YORK

September 29, 1916.

*B.A.H.*  
OCT 4 - 1916

My dear Governor:

We are running somewhat shorthanded now as Messrs. Curtis, Kenzel and Hendricks are away.

I am awaiting with much interest the copies of the full addresses of Messrs. Warburg and Vanderlip at Kansas City. The Vanderlip address was given much publicity and evidently was very well received. I have not as yet seen much comment on Mr. Warburg's address but assume that will appear in the banking publications.

Mr. Delano was here yesterday afternoon and said he had not been in Washington much of late. We discussed with him the selling of the 3% one-year notes, stating that our thought was to put out this sample lot to have them distributed somewhat and make them known. He seemed to think that we had acted rightly, as did some of the others, and I hope that you will acquiesce, even if it was against your own judgment. We sold yesterday the balance of the July 1st one-year notes, J. P. M. & Co. taking \$500,000. and the other \$250,000. we sold to Morgan, Bartlett & Company, all on a 2 3/4% basis.

The Evening Post representative brought in your letter to-day in reference to their tabulation of the cash holdings not being correct. We will arrange to give him information, as to the weekly settlement of the Federal reserve banks also, and hope that the figures will be more correct.

Mr. Alexander was in this morning talking with Mr. Jay about the ruling of the Federal Reserve Board against Mr. Mellon of Pittsburgh remaining as a director of the National Bank of Commerce. Mr. Alexander feels

very much aggrieved at the way his board of directors has been "shot to pieces" by the Clayton Act.

He stated that there is every evidence just at present that rates would rule low, in view of the large amount of gold coming in. We are having a very active market, this being the 20th or 21st consecutive day that they have sold over a million shares. Apparently there is a good deal of distribution going on, but with low money and so much prosperity I am inclined to think that we shall have a speculative frenzy gradually increasing in intensity for some time to come, and personally I think it is a good time to "clean house" and get on a conservative basis.

We are installing a time clock, in order to make proper adjustments of the time put in, especially in the Transit Department.

We purchased to-day nearly one and a half millions of acceptances, about \$400,000. of the Bank of Commerce, part of it with the Metals Bank as additional indorser. We also had Lee, Higginson & Co., and a Philadelphia bank, as well as the Guaranty. We got some of the Guaranty on a 2 5/8% basis, and in the system we now have about \$14,000,000. of the Guaranty, of their approximate \$40,000,000. they have issued.

Mr. Jay will write you probably within a day or two about his talk with Mr. De Neuflyze. He <sup>DeN</sup> feels that he could conduct the negotiations with you, representing the Bank of France.

We expect Mr. Turner of Elmira, President of the National Bank Section of the State Association, to meet next Monday with Perkins, Smythe, and Burden of Cazenovia, to discuss the directorship question and plan for carrying it out.

I hope that you are not having so many visitors as to overtax your strength. A reasonable number and a reasonable length of visit would undoubt-



9/29/16.

edly be helpful to you.

My best wishes go with this to you.

Sincerely yours,

*RH Truman*

Benjamin Strong, Esq.,  
"The Lewiston,"  
Estes Park, Colo.

RHT/CEP

*Mr Jay has probably written you that Mr Wood-ward thinks he should not stand for reelection this Fall - Believes it wiser to have "rotation in office" - This might apply to us all -*

*Can report better after we talk with Ingers + others on Monday - Would be sorry to lose Mr. unless we could have Alvander, or some one Equally good. -*

TRANSFER DEPARTMENT

FEDERAL RESERVE BANK OF NEW YORK

Close of business SEPT. 29, 1916.

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Number of items handled	25,681
Totaling	<u>\$7,290,409.68</u>
Difference	Short _____
	Over <u>.50</u>

A.E.RACK PROVED 4.30 P.M.

F.R. " " 6.30 P.M.

CHECKS DEPARTMENT

FEDERAL RESERVE BANK OF NEW YORK

Close of business SEPT. 30, 1916

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Number of items handled 23,893.

Totaling \$8,155,307.15

Difference Short .19

Over           

O.Z. RACK PROVED 3.55 P.M.

F.R. " " 4.40 P.M.





FEDERAL RESERVE BANK  
OF NEW YORK

176  
D.A.H.  
OCT 14 1916  
October 14, 1916.

My dear Governor:

I have your good letters of September 29th and I am delighted to know that you had a visit with Messrs. Warburg and Aiken, and have no doubt of your thorough enjoyment of it.

I did not win the "old man's prize" at Rye, but it was an interesting experience, as there were nearly 400 men entered and it was largely a question of handicap, but I believe I ended about number nine or ten on the list.

Regarding the Collection Department, it seems to be moving now very smoothly apparently, and I enclose the last three reports concerning same, I having asked to have a report every day as to the situation, and I believe that you will agree with me that the results of these three days are very gratifying. I hope that you will not worry about our reduction to 1¢ per item, as we all feel that the volume will tend to increase--or not drop much below what we are doing now--and we ought to be able to reduce the cost to about 75¢ to 80¢ per hundred items.

Messrs. Jay and Curtis are in Washington to-day, discussing with the Federal Reserve Board the question of private bankers under the Clayton Act. I hope that they may be successful in securing a most liberal interpretation, as this feature of the bill does not appeal to me as being sound and wise.

Yesterday we purchased somewhat over three million dollars of acceptances, the American Exchange and Commerce being about \$300,000. each. We purchased \$1,280,000. of the Guaranty at 2 11/16 for the longer periods

10/3/16.

or a sixteenth higher than we bought about \$900,000. of the Bankers. To-day we are getting about \$5,000,000. of the New York City warrants maturing December 1st on a 2 5/8% basis.

As I wrote you, we have now about fourteen or fifteen millions of the Guaranty Trust Company acceptances in the system, scattered among the banks, and I shall be glad to learn if you have any thought that we should put any definite limit on the amount that we should purchase, as evidently they are making heavy acceptances now in connection with cotton and other business. We are glad to have these additional lines being offered now, as our warrants and acceptances both were running off rapidly.

In re allotment of purchases of warrants and acceptances, you will appreciate that when this matter was presented at the governors' meeting, I was not in a position, by reason of my knowledge, to offer any objection, and I assumed that they understood from former discussions how the New York bank felt in regard to its business. I have been over the matter to-day here in the bank with Mr. Cann (Mr. Kenzel being away), and he advises me that there is a demand from the different banks for acceptances and warrants, we receiving almost a peremptory order this week from Kansas City for \$500,000. I shall be glad of any suggestions as to what action we can take at the present time; otherwise I judge it will go over to the governors' meeting in November.

The balances seem to be running quite heavy against us at the present time in favor of the other Federal reserve banks, and to-morrow we shall have about \$25,000,000., I think, to settle with the Gold Fund of adverse balance.

I think that there is quite general agreement of the wisdom of charging off items of organization expense, excepting the cost of unissued Federal reserve notes. I assume that this matter will be settled by the Federal Reserve Board, as it properly should be, because all of the banks



should pursue the same policy in regard to dividend disbursements, and the Board has already stated that they would only approve dividends declared as of July and January.

I hope Mr. Jay will be able to induce the Canandaigua National Bank to remain in.

I took up the matter of our taking gold from J. P. M. & Co., unless we had silver certificates and legals to use in settling our C. H. balances. My impression was that we had had sufficient to meet these balances in nearly every case, and Mr. Sailer informed me that he could only recall one instance in which we were not able to do so, that day we losing about three million dollars in gold.

I feel very strongly the necessity of getting under way our foreign arrangements with the different banks, and if there is anything that you could suggest for us to do from the bank here in the way of urging action at Washington, advise us. In my judgment we ought to be able to begin buying bills in London this winter, and create a favorable balance while money and credit are in such abundance here.

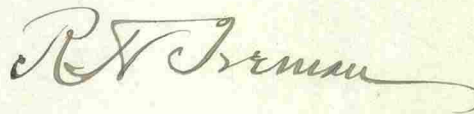
Mr. Sailer informed me that while I was away, the Atlanta bank offered a million dollars of domestic acceptances put out by the Whitney Central of New Orleans, if we wanted them at 2 5/8. Mr. Sailer and Mr. Jay talked with Mr. Rhoads of Philadelphia, who had had the same offer, and they both wired offering to take \$200,000. at 2 3/4 and were advised in reply that they had all been sold at 2 5/8. I asked Mr. Sailer to follow up the matter to see who bought them, as possibly Chicago or some of the other banks have bid against us.

I shall be glad indeed if the books I sent may serve to brighten even a few minutes of your time there, as I feel quite helpless in my desire to make your stay there as pleasant as possible. It certainly is a great

joy to us to feel that you are improving steadily and I hope that you will keep the brakes on yourself.

With kind regards, I remain,

Sincerely yours,



Benjamin Strong, Esq.,  
"The Lewiston,"  
Estes Park, Colo.

RHT/CEP

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FEDERAL RESERVE BANK  
OF NEW YORK

October 4, 1916

*P.A. Fr.*  
OCT 11 1916

My dear Governor:

In reading over the copy of your letter to the Honorable Carter Glass in re issue of Federal reserve notes against gold, I am all the more impressed with my feeling that as there are so many features of the Federal Reserve Act which are not understood, and so many policies that should be inaugurated for the good of the banking system of the country, you should, if you have leisure, write articles similar to your 'brief' on the issuing of Federal reserve notes, which could be published in papers like the American Bankers Association Journal (which would reach every bank which has membership in that association, some fifteen thousand) and thus you would contribute very much to the education of bankers generally, which, as you recognize, is necessary, in view of their lack of information and their real ignorance in many cases.

Our directors' meeting was held this morning, all present except Starek and yourself. No change was made in the rate of discount.

The question was raised whether in making up our charge to the Nederlandsche Bank for services rendered, we should charge them the 1/20th of 1% for the first three months, which was of course as per agreement, or whether it would be better to make the uniform charge of 1/10th of 1% per annum and have this apply to the three months instead of the original rate, which was, of course, much higher. It being a question of policy, it was thought advisable to lay the matter over and to secure your judgment on it before making a decision. I enclose detailed statement concerning same and think it might be well for you to answer promptly concerning this so we



would have same for our next meeting.

The question of additional banking space, which some of the officers feel is quite essential, in view of the increase in business, was laid over for further consideration.

Ladenburg, Thalmann & Company, having filed a statement with us and, with their consent, having same considered by Messrs. Jay, Woodward and myself, the directors decided to make their paper eligible, with the understanding that we would temporarily have a limit of within a half million.

I had a talk with Mr. Woodward this morning about his remaining as director, and he feels quite strongly that the principle of rotation so far as the elective directors is concerned should be established at this time. We expect Mr. Turner and his committee will have a meeting to-morrow, at which will be thoroughly considered this question, and I can report more fully to you then.

I have accepted an invitation to address the National Hardware Association (manufacturers and jobbers), generally about 600 to 800 of the representative manufacturers and distributors of hardware from all over the United States, at Atlantic City, on "Trade Acceptances." I am gathering some information at the present time. Do you see any reason from a bank's standpoint why the substitution of the trade acceptance for the open book account is not a move towards making dead capital of the open book accounts into liquid credits which can be utilized? I shall be glad to have any suggestion.

We are purchasing about a million and a quarter of acceptances to-day at the usual rates. I hope that we may continue to have more warrants and acceptances offered us, so as to hold up our investments.

There was considerable discussion this morning as to our policy as to dividends, but decision was deferred until the last of December when we will know more accurately, but I think the prevailing opinion seemed to be

that if we could declare a dividend, paying up to say April 1, 1915, or possibly July 1, 1915, and still have sufficient undivided profit as a "back log," it would be a matter of policy to do so.

Mr. Jay will write you about some of the other matters which came up, all of which will prove of interest to you, I hope.

I have not had time yet to go over the Bank of France matter with him but will hope to do so within a day or so.

With kind regards and my very best wishes to you, I remain,

Sincerely yours,

*R. V. Trueman*

Benjamin Strong, Esq.,  
"The Lewiston,"  
Estes Park, Colo.

RHT/CEP  
Enc.

*Mr Jay will write you about a resolution which Mr Locke said he would introduce at the next Directors meeting - Possibly you may deem it wise to write direct to Mr Locke.*



FEDERAL RESERVE BANK OF NEW YORK  
STATEMENT OF CUSTODY CHARGES - GOLD COIN  
FOR THE ACCOUNT OF THE NETHERLANDS BANK, AMSTERDAM.

No.	From	Date Received	Amount	Rate Per Annum	Number of Days to Oct. 1/16	Custody Charge To Oct. 1/16	Telegrams	Cable
1,001	Boissevain & Co.	March 16/16	\$ 1,000,000	1/10% <i>1500</i>	199	545.21	1.03	15.12
1,002	National City Bank	" 23/16	316,635	<i>437.85</i>	192	166.56	.68	6.37
1,003	National City Bank	" 24/16	600,000	<i>820</i>	191	313.97	.68	6.37
1,004	Blake Brothers & Co.	" 24/16	88,000	"	191	46.05	.68	6.37
1,005	Blake Brothers & Co.	" 24/16	18,000	<i>144.85</i>	191	9.42	.68	6.37
1,006	National City Bank	" 27/16	75,000	<i>97.50</i>	188	38.63	.54	15.78
1,007	Kissel Kinnecutt & Co.	" 28/16	293,500	<i>376.65</i>	187	150.37	.55	15.78
1,008	Maitland, Coppel & Co.	April 1/16	26,400	<i>32.56</i>	183	13.24	.71	11.20
1,009	Boissevain & Co.	" 3/16	515,000	<i>618.50</i>	181	255.38		21.37
1,010	Blake Brothers & Co.	" 3/16	54,600	<i>65.50</i>	181	27.08		21.37
1,011	Kuhn, Leob & Co.	" 4/16	10,000	<i>11.83</i>	180	4.93	.67	5.32
1,012	Haydon, Stone & Co.	" 5/16	7,600	<i>8.87</i>	179	3.73	.71	5.32
1,013	Boissevain & Co.	" 14/16	35,000	<i>36.17</i>	170	16.30	.77	23.52
1,014	Hallgarten & Co.	" 15/16	105,230	<i>107.06</i>	169	48.75	.74	22.96
1,015	National City Bank	" 15/16	900,000	<i>915.00</i>	169	416.71	.23	5.67
1,016	Kean, Taylor & Co.	" 17/16	94,000	"	167	43.01	.23	5.67
1,017	Guaranty Trust Co.	" 17/16	160,000	<i>379.00</i>	167	73.21	.23	5.67
1,018	Guaranty Trust Co.	" 17/16	125,000	"	167	57.19	.23	5.67
1,019	Hanover National Bank	" 18/16	65,000	<i>63.90</i>	166	29.56	.39	4.94
1,020	Hallgarten & Co.	" 17/16	43,000	"	167	19.67	.23	5.67
1,021	Kuhn Loeb & Co.	" 17/16	3,000	"	167	1.37	.20	5.67
1,022	Hausman & Co.	" 17/16	10,000	<i>64.77</i>	167	4.58	.23	5.67
1,023	Kidder, Peabody & Co.	" 17/16 (Silver 1.50)	11,194	"	167	5.12	.23	5.67
1,024	A. A. Hausman & Co.	" 18/16	8,000	"	166	3.64	.38	4.95
1,025	Kean, Taylor & Co.	" 18/16	6,000	<i>13.30</i>	166	2.73	.38	4.95
1,026	Blake Brothers & Co.	" 19/16	1,140	<i>1.07</i>	165	.52		
1,027	Holland-American Line	June 22/16	500,000	<i>693.86</i>	101	138.36	.68	17.22
1,028								
1,029	Speyer & Co.	July 5/16 (Silver 2.20)	91,094.70	"	88	21.96	.86	17.22
1,030	J. & W. Seligman & Co.	" 12/16	3,180	"	81	.71	.68	17.22
1,031	Boissevain & Co.	" 13/16	36,000	"	80	7.89	.64	17.22
1,032	Guaranty Trust Co.	" 21/16	200,000	"	72	39.45	.66	17.22
1,033	J. S. Bache & Co.	Aug. 14/16	100,000	"	48	13.15	.68	17.22
1,034	Boissevain & Co.	Sept. 1/16	209,000	"	30	17.18	.70)	<u>346.74</u>
1,035	Speyer & Co.	" 1/16 (Silver 1.29)	79,286.29	"	30	1.52	.76)	Not yet reported by Netherlands Legation
1,036	Maitland, Coppel & Co.	" 1/16	116,000	"	30	9.53	.76)	
1,037	Kuhn, Leob & Co.	" 5/16	20,000	"	26	1.42	)	
1,038	Blake Brothers & Co.	" 5/16	10,600	"	26	.76	.32)	
1,039	Blake Brothers & Co.	" 20/16	19,000	"	11	.57	.32)	
1,040			<u>\$5,955,459.99</u>			<u>\$2,554.43</u>	<u>\$18.44</u>	



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FEDERAL RESERVE BANK  
OF NEW YORK

October 5, 1916.

B.A.F.  
OCT 11 1916

My dear Governor:

I acknowledge the receipt of the copy of your letter to Mr. Towne and Mr. Jay arranged with Mr. Towne yesterday to hold his decision in abeyance pending the outcome of a meeting being held to-day at the National City Bank of the committee of the State bankers in re selection of directors.

Mr. Jay tells me that the Canandaigua National Bank has decided to remain in the system, as he and Mr. Curtis evolved a method to satisfy them.

I have asked Mr. Sailer to write to you the details of his handling of the Gold Settlement Fund this week, thinking that you would be interested in the attitude of Dallas and St. Louis.

Regarding Mr. Locke's proposed resolution, I do not think that after the directors have had a discussion of it, a majority would vote in favor of it, but it is to me disappointing that there should be even a minority who would think it wise to make such a restriction in view of the efforts being made to develop the discount market.

I hope soon to hear of your tramping and fishing instead of working your brain over time by discussions with your numerous guests. Dr. Treman suggests that you quiet down now and lead the simple life again, having the visits in memory and working your brain only on the most important of the problems. To my mind, just now the making arrangements with the foreign banks is of much more importance than anything else.

Mr. Warburg's speech was very well received apparently and the Wall Street Journal has taken up cudgels against the Chronicle. It was a forceful

address, delivered at the right time, and cannot but have weight, and if you can later follow it up with an occasional article in some one of the principal banking magazines, the situation will be further strengthened.

The political situation is a very interesting one, as many are apparently either undecided or are keeping their views to themselves. I do not think Justice Hughes has succeeded yet in developing any great heat in the campaign, but I believe he will receive the vote of the business men generally, while apparently Wilson as yet has a strong hold on the masses. Personally I think it will be a close race unless something arises to develop an unusual situation between now and election.

With kind regards, I remain,

Sincerely yours,



Benjamin Strong, Esq.,  
"The Lewiston,"  
Estes Park, Colo.

RHT/CEP

178

FEDERAL RESERVE BANK  
OF NEW YORK

*W. J. H.*  
OCT 11 1916

October 6, 1916.

My dear Governor:

I have yours of October 2nd and when I realize that you are within three and a half to four days' mail service from us, it does not seem far.

I am glad that you are to have Mr. Kains of San Francisco with you and hope that Messrs. Vanderlip and Trumbull will not overtax you.

The Boston bank, when Governor Aiken was away last week, fixed a rate for domestic acceptances of between 3% and 4%, which has caused quite a furor up there and to-day the Old Colony Trust Company sold us \$100,000. of their own acceptances on a 2 3/4% basis. I talked with Governor Aiken about it and he thought our doing so would help strengthen his position-- that the rate should have been between 2% and 4%, as is ours.

We are having some offerings of acceptances, as you will note from the statement sent you, and are picking them up wherever it seems desirable.

I trust that notwithstanding the delay in the State Department, you will feel free to keep up your personal correspondence, working out details of what may be an effective arrangement at the proper time.

To-day we have a report that Ambassador Gerard is one the way here with a peace proposal, which I question, but it has had the effect of making the first break in the market for about three weeks.

I go back to Ithaca to-night for Saturday and Sunday but expect to be here again Monday morning, and shall hope to hear that you are taking a vacation from work after your guests go, and are slowing down again.



I think of you often, and with this goes my very best.

Sincerely yours,

*R. H. Treman*  
cep

Benjamin Strong, Esq.,  
"The Lewiston,"  
Estes Park, Colo.

RHT/CEP

P. S. --- Kindly remember me to Mrs. McLaren.

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FEDERAL RESERVE BANK  
OF NEW YORK

P.A. 10/4  
October 4, 1916.

P.A. 10/4  
OCT 13 1916

My dear Governor Strong:

Your letter of October 4th reached me this morning.

I was over at the subtreasury this morning as one of the officers and was impressed by the amount of gold which they have in storage and was equally impressed by what seemed to me to be a lack of security for the building and its contents.

Regarding the one-year notes, we will have this week about one million of one-year notes payable October 1, 1917, which we will hold, and if occasion offers, will rebuy some of those we sold.

The good work in the Collection Department goes on and now it becomes a question of how soon we ought to consider making collection of items of different kinds for the banks--the same service that is being rendered now by the regular New York correspondents. What do you think about it?

Mr. Warburg is in the bank to-day, as he came over to register, and I have discussed several matters with him. He seemed pleased that we had taken the action we did in regard to your salary, and I hope that this disposition of it was in line with your own thought, because that was the desire of the directors and they would have taken any reasonable action which would satisfy you, because they are looking forward to your returning here at the earliest possible moment consistent with your strength and health.

I want you to understand that we are all much interested in every indication of improvement on your part; that more and more there comes a recognition of the great work you have done, not only for the New York bank,

but for the Federal Reserve System at large, and this grows more and more impressive the longer you are away from us. It seems to me that it is providential that you are able to continue to study the larger problems in their broader aspects while we are struggling with the details.

I talked with Mr. Warburg this morning, telling him that I was greatly impressed with the need of our opening relations with foreign banks at the earliest possible moment; that we had already received suggestions from different banks, among them the Netherlands, a bank in Greece, one in Java, another one in Italy, as well as the Bank of France and the Bank of England, with whom, of course, we should like to open relations, as well as the Reichsbank in Germany. Quite to my surprise he said he saw no reason why we should not open an account with any neutral country as soon as it could be brought about, but as far as the belligerent countries were concerned, we should proceed more cautiously, which, of course, is good sense.

Will you let me know whether you are taking up these matters in a personal and private way with the Bank of England and the Bank of France, and any others, and if not, whether you cannot bring about a quasi-permission on the part of the Federal Reserve Board for you to do this work, it being merely preliminary and without official sanction and recognition as yet; but if the preliminary work is done, when time for official action matures, we will then be able to start business promptly instead of being held up. Would you think it well for us to let Mr. Curtis go over to Washington in a diplomatic way to see if progress cannot be made, and if not advisable to do it before election, would you think it wise to do so immediately after?

Frankly I am strongly impressed with the desirability of doing these things now when apparently everything is in our favor, rather than having it held up until we will have to negotiate when things are less favorable and more certain to be in favor of the one with whom we make arrangements.



I understand Mr. Jay sent Mr. Turner's letter to you and that will advise you of what has been done and I hope will meet with your approval.

I shall be glad to know what rate you think we should make on domestic acceptances. Should we act on the theory that it is a matter of credit entirely and that domestic acceptances should take the same rate, assuming the strength of the credit is the same, as would foreign acceptances, or should we have in a general way a small differential which we charge additionally for domestic acceptances, on the theory that we should make our competition with the member banks as little felt at present as possible.

I was glad to see for myself that the subtreasury had about \$370,000,000. of gold bars, coin, etc., and only wish that the Federal reserve vaults were filled with gold in the shape of reserve against troubles that may come.

We had a shaking out in the stock market for about an hour this morning similar to the panic times of 1907, about a million shares changing hands in an hour or so, with fluctuations of from ten to thirty points on some stocks.

With this goes my very best regards to you, and the hope that you are doing your level best to make good in health.

Sincerely yours,

*RHT*

Benjamin Strong, Esq.,  
 "The Lewiston,"  
 Estes Park, Colo.

*Mr M. is having some talk today with Mr. + Mr. Alex? about Banks depositing more of their reserves with the FRB.*

RHT/CEP

178

FEDERAL RESERVE BANK  
OF NEW YORK

OCT 18 1916  
R.A.H.

October 11, 1916.

My dear Governor:

By reason of the shortage in the official force this week, I am taking my turn at attendance on the vaults and have been impressed by the amount of gold in the subtreasury, which emphasizes to my mind my constant wish that we could be accumulating gold more rapidly in the reserves of the Federal reserve banks.

Did you and Mr. Warburg give any consideration to a plan of settling our balances, in New York at least, by silver and legals and is such a plan feasible? Could you give it at your convenience some thought along these lines or make any suggestion of a plan under which we can accumulate more of this gold while it is coming in and before the crucial test comes later.

When convenient, will you indicate your opinion of what would be a proper allotment for the Federal reserve bank of its investments purchased, and should it be taken up previously with the governors or that committee of which Governor Seay was chairman, or would it be better to leave it until the meeting of the governors the latter part of November.

I expect that Governors Aiken, Rhoads and Fancher will come to New York next Tuesday for an informal meeting. Have you any topics which you think we should discuss at that meeting?

We had a request from the Bank of Commerce yesterday for a ruling as to whether bills created in the purchase by a foreign nation (probably Germany) of hides in Argentina, the same to be stored in warehouses there, for a period longer or shorter, but with the understanding that there should

10/11/16.

be the privilege of extension up to two years' time, at which time, if the war is not over, the bills should be paid in full, would be eligible for purchase by the Federal reserve banks. I shall be glad to know your opinion of such a transaction, as it may be a precedent for others of a similar kind.

Our balances with the other Federal reserve banks seem to be running quite heavily against us and to-day we shall probably have an adverse balance of \$15,000,000.

To-morrow being a holiday, Columbus Day, the bank will be closed, but I expect to put in part of the day at least in working on an address on "Trade Acceptances," which I am scheduled to make at Atlantic City next week.

The committee on directorship in the Federal Reserve Bank of New York of the New York State Bankers Association is having a meeting this afternoon to discuss the situation, and we have had Mr. Burden of Cazenovia to lunch with us.

I shall be glad to hear a report as to how you are feeling, and assume you will give us ample time when you change your address.

With this goes our best wishes, as ever.

Sincerely yours,



Benjamin Strong, Esq.,  
"The Lewiston,"  
Estes Park, Colo.

RHT/CEP

P. S. --- I am enclosing herewith report received from the Bank of France.



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FEDERAL RESERVE BANK  
OF NEW YORK

B.A.V.  
OCT 17 1916

October 13, 1916.

My dear Governor:

I wish that you could properly understand the very great pleasure that we had to-day on receiving the news contained in Mr. Hendricks' letter, that you had gained so much in weight and were looking so fine. No news could give us greater pleasure and I just want you to know how happy we all are that yours is a constant gain. Do not let up a moment in your efforts to gain fifteen to twenty-five pounds more and to add to your reserve strength much more, so as to fit yourself for speedily taking up your work again. The bank needs you and, more than this bank, the Federal Reserve System and the country need your service and ability, so let this be a responsibility that you feel rests upon you to consecrate yourself to this one object, getting well.

I have been struggling with trying to put together some thoughts on trade acceptances, but the interruptions make it difficult to concentrate one's mind for any long period, and when you haven't very much mind to concentrate, it makes it all the more difficult.

I am not writing on business to-day, but just want to send you this message of cheer and best wishes.

Sincerely yours,

Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.



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FEDERAL RESERVE BANK  
OF NEW YORK

*R.A. Fr.*  
OCT 23 1916

October 17, 1916.

Dear Mr. Strong:

I spent yesterday in Atlantic City in connection with the Hardware Convention and came up to-day to New York, spending the day here and finding your various letters. I cannot answer them in detail as I am putting the finishing touches to my address on "Trade Acceptances," which I have to deliver to-morrow in Atlantic City. Later, perhaps, I shall send you a copy which you can criticize to your heart's content as long as I get it "out of my system."

Mr. Curtis brought his family back from Massachusetts to-day, having motored down yesterday and to-day.

Things apparently are moving smoothly here, except that the balances run against us and yesterday Chicago telegraphed us to ship them \$1,000,000. silver certificates and legal.

To-morrow we shall have a directors' meeting, and Mr. Locke wrote that he would postpone the introduction of his resolution until later and probably would not come down to the meeting to-morrow.

Mr. Woodward has returned from his coaching trip to Maryland with August Belmont and other members of the Knickerbocker Club.

10/17/16.

I hope to be more regular in my correspondence as soon as the "Trade Acceptance Address" is delivered and I am back on the job.

With kind regards, I am

Sincerely yours,

*W. H. C. Brennan*

Deputy Governor.

*Mr. Harris was in town today -*

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

RHT/HAB



178

FEDERAL RESERVE BANK  
OF NEW YORK

October 20, 1916.

Dear Governor:

I made my address on "Trade Acceptances" at the joint session of the hardware manufacturers and jobbers in Atlantic City on Wednesday, speaking to probably 350 to 400 for about a half hour, during which they gave me very close attention and evidently were much interested in the question. Judging from the comments afterward, I think that it awakened in the minds of a good many the question of whether they should not adopt the trade acceptance system.

I understand that they contemplate having the address printed for circulation among the membership and also some outside, and I hope that at the meeting yesterday they appointed a committee to consider and report upon the advisability of their adopting this plan and cooperating as to the time and methods, but as I came up to the bank yesterday morning and did not remain for the last two days of the convention, I am not informed as to what action was actually taken.

Thanks to the criticisms, the suggestions, and the advice of my eminent colleagues, Jay and Curtis, the address has been put in shape for printing and I hope will not cast any adverse reflection upon the bank, whatever may be the criticisms against me personally.

I am very glad to note that you are taking as good care of yourself as is possible and I think that results thus far shown indicate that your statement is correct. I do not approve, however, of any mental attitude on your part which recognizes a possibility that you are not coming back to the

bank, as I am hanging on here, making a very evident bluff about even filling temporarily this position, and while this can be carried on for a reasonable length of time, the stockholders and friends of this bank will be very glad when they learn that you are back on the job. You are certainly the man for the place. You have done a great constructive work already but no one can realize more than you do that there are other important problems to be worked out in the development of this great financial structure, the existence and improvement of which are so vitally important to this great country.

I would be the last one to want you to come back too soon but I also appreciate most thoroughly the bank's need of your constructive mind, and when you do come back later, I hope that arrangements can be made so that every unimportant detail can be handled by others, leaving you free to put in a few hours each day, probably in the morning, at the bank, and reserving the afternoon and evening for recreation, diversion, and meditation.

Dr. Treman advises against entering into the social life of Denver to too great an extent, urging that you will always keep within the limit of weariness and preserve your strength for the great work for which you are so eminently fitted.

I hope your new house is in the midst of a pleasant environment, free from cats and dogs at night and German bands by day.

Do not consider your idleness as irksome but as being a part of a great constructive plan for you personally, and remember that "they serve who only stand and wait" until the opportunity comes for action.

We hope Mr. Hendricks will be back next week and also that Mr. Cann will be here, but Mr. Sailer will be away probably another week or two.

I go back to Atlantic City to-night, where Mrs. Treman is spending a week or so, and expect to be back at the bank on Monday morning and remain all next week until Friday, when I hope Mr. and Mrs. Jay will go up to Ithaca

and spend Saturday and Sunday with us. I never succeeded in getting you up there but have not despaired, and the visit is only postponed.

With my very best wishes to you, I remain,

Sincerely yours,

Handwritten signature of R. H. Freeman in cursive script.

Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP



178

FEDERAL RESERVE BANK  
OF NEW YORK

October 24, 1916.

*B. A. Fr.*  
OCT 27 1916

Dear Governor:

Mr. Jay has returned to me some letters of yours which I had permitted him to read and I will go over some of the matters again, even at the risk of duplication.

I do not feel that Mr. Warburg's plan of inducing member banks to put all of their reserves in the Federal reserve bank will work out in practice, as I think there will be a general reluctance on the part of bankers who have been trained to harbor reserves, to discontinue the practice. I cannot but feel that in some way we ought to be able to induce the member banks to sort out gold certificates from their daily cash, sending same in to the Federal reserve bank and permitting us to issue Federal reserve notes to them, they paying out same through pay rolls; etc., to overcome their reluctance to take them, as they do not count as reserve. I believe, at least, that I could write to a number of bankers whom I know personally and induce them to do this without any stir, but whether enough could be accomplished to make any impression by doing it simply through those whom I know is a question.

In regard to our foreign arrangements, I take it from your letter that you do not believe anything can be done more than what you are accomplishing in a personal way and through Mr. Morgan and in other indirect methods. It does seem a shame, however, that we are not in a position now to be putting up the breast-works against the future on-slaught. Both Mr. Jay and Mr. Curtis are in Washington to-day, and I hope will discuss the matter informally with Governor Harding and possibly Curtis may be able to discuss it with the State

Department. I think it would be well for Mr. Curtis to prepare a brief for submission later when the proper opportunity offers. What do you think of this?

I note your impression as to the amount of the Guaranty Trust Company acceptances. Mr. Jay has, I think, written to you about the stir-up in Washington over the newspaper articles on the new "\$100,000,000. French acceptance plan." I think the trouble originated in the circular issued by the Bankers and Guaranty trust companies, especially the two paragraphs I have marked, indicating that there was some obligation on the Federal reserve banks to purchase these and indirectly urging State banks to put themselves in a position to handle them with the Federal reserve banks. The Federal Reserve Board telegraphed each Federal reserve bank as per the copy sent to you last night, answer to which is not yet at hand, and after a discussion with Messrs. Jay and Curtis last night until nearly 7 p. m. I urged them both to go over to Washington, which they did, in order to straighten out the matter to-day and if possible prevent Washington from issuing some pronouncement which would tend to interfere with the development of the open discount market or might affect the placing of the French acceptances under the plan now being developed.

I am sending you a copy of the confidential information sent out, and I told Messrs. Jay and Curtis that if Mr. Kent would issue another circular in which he would state that he would like to correct any possible misapprehension their statements made in the former one, may have led to, and then if Washington would hold the matter in abeyance for a short time, we could find some opportunity soon for the issuing of a statement or the making of an address in which the position of the Federal reserve banks could be clearly stated and it could be done undoubtedly without jeopardizing the development of the acceptance business.

What would be your view about raising our acceptance rate about 1/8? Money, of course, is very easy and plentiful just now, but it has seemed to me that we might possibly make this small advance without affecting adversely the situation, and it might be wise to do so.

I am glad that Mr. George Roberts of the National City Bank is to make you a visit, as I have always thought him very wise in his discussion and viewpoint of foreign matters.

I assume that you will gradually work up some briefs to be submitted to Congress in re currency legislation in December.

I note what you say about Ladenburg and Thalmann and it is in line with our own views.

Did you write to Mr. Locke about his proposed resolution?

We expect Governors Aiken, Seay, Fancher and Rhoads to have an informal conference at the bank next Tuesday, October 31st.

(Later)

I have just been talking with Mr. Jay at Washington and he reports that they discussed the matter of French acceptances with the Board this morning and the Board will permit Mr. Jay to work up some kind of a statement and later, next week, when Mr. Harding comes to make an address before the American Institute of Banking, he will discuss it somewhat at length in a general way, so that, as I understand from Mr. Jay, they thought they could put up the bars in a way to satisfy the Board.

I am glad to learn from Mr. Hendricks that you are pleasantly situated in Denver, and I hope that you may still keep up the self-denial regime so as to constantly add to your surplus strength. The country needs you, Governor, and you have a great responsibility resting on you to save every bit of strength which you can develop and not allow the things which



are not worth while to interfere with the bigger realities. (You need not worry about the amount of Dr. Treman's bill for medical advice as yet.)

While dictating I have just received your telegram at 2:30 p. m. in re French acceptance announcement and will transmit same to Curtis or Jay if I can reach them. I am glad you feel so strongly, as I felt most clearly yesterday that it would be a very great mistake for them to make any announcement whatever--that they should allow us to handle the situation in New York, which we can do, and accomplish what they want and at the same time not interfere with the acceptance development.

We are whipping into shape to-day the note which Mr. Jay expects to have the New York State Bankers Association Committee send out to bankers to-morrow.

Regarding the rates for domestic trade acceptances, unquestionably the same rates should prevail as for foreign acceptances, but in the interests of member banks we thought that temporarily we might discriminate a little, and in doing so, we have had no complaint as yet.

Pardon this long letter, but it seems like talking to you every day or two to have this touch by correspondence, and it is a great sustaining force in the organization to know that we are in such close touch with you.

With kind regards, I remain,

Sincerely yours,



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

RHT/CEP

TRANSIT DEPARTMENT

FEDERAL RESERVE BANK OF NEW YORK

Close of business OCT. 26, 1916.

Number of items handled 30,781.

Totaling \$9,858,346.99

Difference Short .34

Over           

F.R. RACK PROVED 3.50

A.E. " " 4.15

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FEDERAL RESERVE BANK  
OF NEW YORK

October 26, 1916.

*R.D.H.*  
OCT 31 1916

My dear Governor:

We began our officers' meetings to-day, although Mr. Jay is in Washington, having returned there last night after spending one day in New York. Mr. Jay had Mr. Kent of the Bankers Trust Company and me for lunch yesterday and we discussed ways and means of correcting the unfortunate impression occasioned by the telegrams sent out to the Federal reserve agents in re French acceptances. Mr. Kent stated that they had already heard from the same from different banks, and evidently the action of the Board created a hesitation which was unfortunate. Mr. Kent prepared a form of letter, which he was to send out to the banks circularized by the joint circular of the Guaranty and the Bankers, and he sent Mr. Jay a copy so that Mr. Jay could submit same to the Board to-day.

Mr. Kenzel is making an address to-day before an exporters association on the Federal Reserve System and its relation to export business, and Mr. Curtis and I spent most of yesterday afternoon with Kenzel acting as critics to his composition.

Mr. Hendricks has submitted the question of the bank acting as a clearing house for State bank items in New York City and the same is to be considered further by the officers.

I am in receipt of yours of October 18th, containing copy of letter just received from Mr. Cokayne and your reply, which I will take up with Mr. Curtis and hold for Mr. Jay to see to-morrow probably.

I am hoping to take Mr. and Mrs. Jay back to Ithaca with me to-morrow



to remain over Sunday, Mr. Jay going on to Utica to speak before a small gathering of the friends of Mr. Rogers of the First National Bank of Utica.

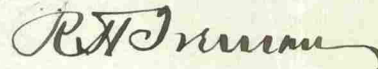
We are arranging our securities in Vault A at the Clearing House preparatory to receiving the gold from J. P. M. & Co., which begins to reach us on Friday and will continue for the next four business days.

We were quite disturbed in the bank here over the action of the Board in the matter of the French acceptances, but hope that we may straighten out same satisfactorily, as outlined above.

I hope that you are finding it pleasant and agreeable in Denver and that you are continuing your improvement.

My kindest regards to you.

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP

FEDERAL RESERVE BANK  
OF NEW YORK

178

October 26, 1916.

*W. A. R.*  
*OCT 31 1916*

Dear Governor Strong:

I had a pleasant talk this afternoon with Mr. Roberts of the National City Bank, who stated that he contemplated going out to you later if he could arrange the time so as not to conflict with some engagements he had made for addresses, although he had not heard from you directly as to the time at which you desired him to come. I told him that you had written me that you were anticipating with pleasure his coming out to see you and discuss certain important financial problems, and I assumed, without knowing your views, that it would be advisable for him to make the visit before Congress convened again, as I thought you were anticipating some suggestions requiring legislation.

He said he was to address the Buffalo Credit Men's Association on November 16th and that the time following that, from November 16th to the latter part of the month, would be probably most convenient for him, but I think he hesitated to so express himself to you, so I am giving you the benefit of our exchange of views for you to act as you may deem best.

Mr. Roberts stated that he had just returned from a meeting of the Indiana Bankers at Indianapolis and that Doctor Miller of the reserve board had spoken the day before he spoke and both along the same general line. He said that Doctor Miller's address seems to have been well received. Did Mr. Miller send you a copy of it?

I have just had a telephone conversation with Mr. Jay, who advised me that they are having a spirited debate in the Board over the French accept-

ances and that they may want Mr. Kent to go to Washington and he, Jay, to stay over for to-morrow. It seems to me unfortunate that these matters cannot be handled at Washington in a way which, while carrying out any conservative and restraining views they may have, still will not embarrass the development of the open market and other important matters of this kind.

Mr. Kenzel has just reported that he was very well received at the exporters' meeting, about fifty to sixty present, and we will endeavor to have his paper given publicity for the general educational effect.

With kind regards, I remain,

Very truly yours,

*RHS*

Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP

*6 PM - Jay has just telephoned  
for your criticism - re: Kent.  
Mr. Humphreys come to Wash-  
tonight - Comptroller takes  
position that Mr. Bantier  
could not tie himself  
to accept (for 18 months)  
for so long a time.*



178

FEDERAL RESERVE BANK  
OF NEW YORK

October 27, 1916.

*P.A. Fr.*  
OCT 31 1916

My dear Governor:

There is evidently "something doing" in the Federal Reserve Board about the French acceptance matter. Mr. Jay, who was over there discussing the matter yesterday, telephoned late yesterday afternoon for Mr. Curtis to go over and also Mr. Kent and Mr. Hemphill, the two representing the Bankers and Guaranty trust companies. From what I pick up, the Comptroller has taken the position that as the French acceptances were arranged on the basis of the participating banks not only accepting but agreeing to rediscount the acceptances themselves for five renewals, making a total period of eighteen months, it was contrary to the provision of the Reserve Act. I hope that the matter will be straightened out to-day in some way, so that the development of the acceptance business will not be interfered with.

I attended as a guest the banquet of the New York Credit Men last night and from what I picked up <sup>there</sup> and from my brother, who was down yesterday from up-state, it appears that there is a strong movement just now towards Wilson, although Whitman may prevail over Seabury. I feel, however, that the whole situation is so sensitive that no one can tell until the votes are counted what the result will be.

Kenzel's address was very well received and the New York Commercial gave over a column of space to-day to its reproduction, and I think it will appear in others, all of which helps the system.

I will certainly be glad to send you a copy of my address on

"Trade Acceptances," provided you will have restoratives at hand to revive

10/27/16.

you after reading same, as you will find it dry.

I shall be interested to know what position Mr. Locke will take at the next meeting of the board, but in any event we must try and kill the resolution.

I am mailing you a copy of the circular sent to the National Bank Section of the State Bankers Association under date of October 25th. Possibly it has been sent to you, but I know you will be interested in reading it.

Mr. Jay's being obliged to remain over at Washington to-day, will deprive us of the pleasure of having Mr. and Mrs. Jay at Ithaca over Sunday, as we had planned, but we must keep on the firing line, especially when such important matters as this French acceptance business come up.

My best regards to you, and I want you to know how many inquiries come to us from every side as to your progress and how keen is the pleasure of those who inquire when they know that your progress is favorable. Different ones at the Credit Association banquet last night asked after you, among them Judge Hand.

As ever,

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP  
Encs.



# NEW YORK STATE BANKERS' ASSOCIATION

ORGANIZED 1894

## OFFICERS, 1916-17

BENJAMIN E. SMYTHE, - PRESIDENT  
BRONXVILLE, N. Y.  
JOHN H. GREGORY, - VICE-PRESIDENT  
ROCHESTER, N. Y.  
ALEX. C. SNYDER, - TREASURER  
BROOKLYN, N. Y.  
WILLIAM J. HENRY, - SECRETARY  
11 PINE STREET, NEW YORK, N. Y.



HEADQUARTERS

11 PINE STREET

New York, October 25th, 1916.

## NATIONAL BANK SECTION.

*To the Member Addressed:*

The undersigned committee appointed by the National Bank Section of the New York State Bankers Association and by the New Jersey and Connecticut Bankers Associations, has had a number of meetings to consider what policy it should pursue in carrying out the instructions of the resolution adopted last June, during the convention at Atlantic City, "to the end that all proper steps be taken to secure the best possible men as directors of the Federal Reserve Bank of New York."

Specifically, the committee is authorized by the resolution

- (a) to make recommendations to all member banks of candidates for directors of the Federal Reserve Bank of New York,
- (b) to inform all member banks of the qualifications of all candidates for such directorship.

In seeking for names to suggest as candidates for directors the committee has restricted its search to those who are not only of high character and business standing but also fitted by temperament, ability and breadth of experience to pass upon the important questions of policy, domestic and international, which must present themselves for solution in the Federal Reserve Bank of New York. In ascertaining and describing later the qualifications of those who are actually nominated for directors, the committee will apply the same tests.

In accordance with the resolution of the Federal Reserve Board dated December 23, 1915, those active in political organizations may not appropriately be nominated for directorships in Federal reserve banks.

The committee has considered whether it should suggest several names or only one name for each vacancy, and it is unanimously of the opinion that its policy should be, unless under exceptional circumstances, to suggest a number of names for each vacancy in order to make clear and preserve its position as a non-partisan committee.

The committee has considered the geographical aspects of the second Federal reserve district, which embraces the entire State of New York, with 432 members, the twelve northerly counties of New Jersey, with 129 members, and Fairfield County, Connecticut, with 15 members, and believes that the various sections of the district may properly expect to be represented from time to time on the board of directors. It feels, however, that such representation may be obtained more satisfactorily by general understanding and co-operation on the part of the member banks than by a contest each year between the different sections. The two vacancies occurring this year are at present filled by residents of New York City.

The committee recommends that these vacancies be filled by the election of residents of New York City because it is desirable that a certain number of the directors should always be available at short notice for consultation and service on the executive committee, and because the New York City banks, which are in the group voting this year, contribute so large a proportion (approximately 90%) of the total resources of the Federal Reserve Bank of New York. The committee will therefore suggest this year only names of residents of New York City; and while it will not assume to lay down any policy to be followed in the future its present view is that when an opportune time is reached for a certain section to expect representation on the board of directors, only candidates from that section should be suggested by the committee.

The committee has considered whether or not the principle of rotation in office should apply in the selection of directors of the Federal Reserve Bank and wishes to make it clear that by its action this year it does not wish to establish a precedent either for or against the principle.

The committee recommends, with their consent, the following gentlemen as candidates for directors of the Federal Reserve Bank of New York:

### FOR CLASS A DIRECTOR.

#### WILLIAM WOODWARD OF NEW YORK:

Mr. Woodward graduated from Harvard University in 1898, was admitted to the New York Bar in 1901 and has since that time been connected with the Hanover National Bank, serving as its president since 1910. He is director of a number of banking and industrial corporations, a trustee of various charitable institutions, and has served as a Class A director of the Federal Reserve Bank of New York since its organization.

Mr. Woodward has repeatedly stated to the committee his conviction that elections for Class A directors should be rotative, and it was only after considerable urging and an agreement by the committee that it would express his view that he has permitted the committee to suggest his name as a candidate.

The committee has decided to suggest no other candidates for the Class A directorship because the intimate knowledge of its affairs which Mr. Woodward has gained is of particular value during the formative period of the bank's development. Furthermore, Mr. Woodward has held the office of a deputy governor of the bank since its organization, and during the temporary absence of Governor Strong on account of ill health the committee considers it of importance that the bank should be able to retain his counsel and advice. The committee in reaching this decision has also had in mind the fact that Mr. Woodward has not yet served a director's full term of three years.

### FOR CLASS B DIRECTORS.

#### NEWCOMB CARLTON OF NEW YORK:

Mr. Carlton graduated at Stevens Institute of Technology in 1890. He was managing director of the British Westinghouse Electric & Manufacturing Company in London, 1905-1910, and since 1914 has been president of the Western Union Telegraph Company. He is a director in a number of industrial and railroad corporations and a trustee of Stevens Institute and Columbia University.

#### EUGENE H. OUTERBRIDGE OF NEW YORK:

Mr. Outerbridge is sole resident partner of the firm of Harvey & Outerbridge, import and export merchants, and is managing director of the Pantasote Leather and Agasote Millboard Companies. He is president of the Chamber of Commerce of the State of New York. He is a student of banking affairs and was an active member of the special committee of the Chamber which reported on the Federal Reserve Bill after its introduction in Congress.

#### HENRY R. TOWNE OF NEW YORK:

Mr. Towne was educated at the University of Pennsylvania. He was president of the Yale & Towne Manufacturing Company from 1868 until 1915, when he became chairman of its board of directors. He was president of the Merchants Association of New York 1908-1913, and has served as director of the Federal Reserve Bank of New York since its organization.

Mr. Towne has requested the committee to state that while not seeking reelection, and indeed preferring to retire, he is willing to accept reelection if in the opinion of the member banks his continued service in that capacity is desirable.

Respectfully submitted,

HENRY BURDEN, 2nd, Chairman,  
F. N. BENHAM, JR.,  
JOHN D. EVERITT,  
JAMES H. PERKINS,  
B. E. SMYTHE, Secretary,

*Committee.*



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FEDERAL RESERVE BANK  
OF NEW YORK

October 31, 1916.

*R.A. Fr.*  
NOV 6 - 1916

My dear Governor:

Last week, with the trouble developed by the action of the Federal Reserve Board at Washington in re French acceptances, was a strenuous one, Mr. Curtis returning to the bank Saturday morning, but Mr. Jay remained until Sunday, taking a horseback ride to overcome the effect of the suffocating and depressing air of the city and the particular environment in which he was precipitated for a few days. Yesterday noon he went up to Utica to make an address before a few bankers there and will not return until to-night in time for the directors' meeting to-morrow.

I had a telephone conversation with Governor Harding late yesterday afternoon and enclose a copy of my letter to him confirming the same, which gives you the facts. Messrs. Kent and Hemphill thought that if member banks were permitted to accept up to \$20,000,000. with what they could place with State banks, trust companies and individuals they might work out of it satisfactorily. We will try and arrange a meeting between Mr. Kent and some or all of the governors to-day at the meeting which is to be held here in New York, thinking that Mr. Kent will put the governors right as to the general situation from the standpoint of the practical handling of these acceptances which are developing so rapidly.

Yesterday I interviewed Messrs. Hepburn and Wiggin of the Chase and Clarke and Bennett of the American Ex. in regard to whether they had any criticism to offer as to our handling of the acceptance business, our rates, etc., but incidentally directed the conversation so as to draw out from them without

10/31/16.

seeming to make it a pointed question, whether they thought it advisable for the Federal Reserve Bank of New York to purchase in the open market acceptances other than those accepted or indorsed by member banks (in re Mr. Locke's resolution). Mr. Hepburn was most emphatic that to restrict it to member banks would be a very narrow viewpoint and action on the part of the New York bank, and that it certainly should be made as open as possible. He questioned whether we shouldn't possibly have bought more acceptances to have helped out our earnings.

The American Ex. people at first were somewhat inclined to think we might discriminate against State bank and other acceptances, but after exchange of views, finally accepted the broader viewpoint of purchasing in the open market other acceptances, leaving until a later time the question of discrimination against the State institutions.

I shall hope to see Mr. McGarrah, Mr. Griggs and possibly one or two others before the meeting to-morrow, so as to be primed in case the discussion becomes interesting on the Locke resolution.

To-day we are expecting Governors McDougal, Seay, Aiken, Fancher and had expected Governor Rhoads, but I have just received a letter from him stating that he is called to be a pall-bearer in Philadelphia and cannot be present, much to my regret. We have quite a programme for discussion, among the items the New York bank's proportion of investments purchased, the French acceptance matter, the question of selling more bonds and if so, at what price, and a number of detail questions, a report of which I will endeavor to give you promptly. I shall try to have Mr. Woodward lunch with the governors to-day.

Governor Harding is to make an address before the Bankers Institute of New York to-morrow (Wednesday) night, which address will be on the acceptance business and the policy of the Board will be outlined. He intimated yesterday

that the Board would send a confidential letter to each Federal reserve agent in re French acceptances and would probably recommend a discriminating rate against finance bills of from  $1/8$  to  $1/4$ , and I assume that he would class the French acceptances now being put out as finance bills.

I shall hope to write you more later, and with this goes my very best wishes.

Sincerely yours,

*R. H. Truman*

Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

*The Governors have just adjourned  
at 5<sup>30</sup> to dine + go to the Theater  
together -*

RHT/CEP  
Encs.



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FEDERAL RESERVE BANK  
OF NEW YORK

*R.A. Jr.*  
NOV 1 1916

November 1, 1916.

My dear Governor:

In the Sunday New York Times, October 29th, you will find an article on Page 8, "Planned referendum of check problems," which I think you should read if not already read. Jerome Thralls of the A. B. A. framed up the questions, I think, and has sent them out to the secretary of each of the State associations, asking them to take a referendum vote in their district on the questions submitted. The questions do not seem to be framed to bring out a perfectly fair consideration and it would seem as though there ought to be some speech made or paper written or influence sent broadcast to put up the more favorable side of the collection system.

In the November 1st Journal of Commerce there is an item, "Reserve Board has new clearance plan," which would seem to have emanated from Mr. Willis, in my opinion, but which, as sent out, does not seem to me put in a way to be helpful.

I told Governor Fancher to-day of my anxiety lest this A. B. A. committee evolve some scheme, and if a propaganda was entered into and a big effort made on the part of the small banks, the movement might result in bringing much pressure on Congress and perhaps leading to unwise legislation unless it is headed off. He agreed and said he would call on Mr. Thralls, which he later did, and I understand Mr. Thralls stated he would call on us here in the bank and discuss this question with us before his committee takes action. Would you think it wise for me to write to the various governors, asking them to try and reach different members of the

11/1/16.

committee who reside in their districts?

Yesterday we had a very good meeting of the governors, Aiken, Seay, Fancher and McDougal, Governor Rhoads being absent because of attendance at a funeral. With Governor McDougal came a representative of the First National Bank of Chicago, Mr. Hardenbrook, who made a firm offer to purchase \$5,000,000. conversion 3s at 101 1/4 and interest. Harvey Fisk offered to take \$500,000. at 101 1/4 provided they had an option on \$3,500,000. more for three months at the same price. By combination of the Scotch, Irish and English brains represented by the governors present, negotiations were entered into, resulting in the governors agreeing to sell \$5,000,000. and the First National Bank of Chicago purchasing that amount at 101 1/2 and interest, deliveries one million per week for cash.

To-day they purchased an additional \$1,000,000., making a total of \$6,000,000., and Harvey Fisk agreed to take whatever balance there may be in the pool, possibly \$500,000., at this same price and will want the option on any additional amount developing for sale up to January 1st. We all thought it a good deal to carry through and the governors felt repaid by the extra price secured. Kenzel is handling the detail of it.

Mr. Jay returned from Utica last night but not in time to have dinner with the governors at the Biltmore or to attend the theatre afterward.

We had a directors' meeting this morning, all being present except you. Mr. Locke did not offer his resolution and told me privately that he had had a long letter from you and thought it advisable for him not to present it as he did not care much about it evidently anyway.

We had a communication from Governor Harding, which Mr. Jay will write you about probably, in re French acceptances and their suggestion to make a differential of 1/4 to 1/2 of 1% over the rate for pure commercial credits. The directors, however, after a full discussion, did not feel that we

should differentiate at all at the present time, and I feel strongly that it is the function of the officers of this bank to decide our rates within reasonable limits, based on the credits represented by the bills and dependent upon conditions existing when the bills are offered for sale. The enclosed copy of letter dictated by Governor Harding will explain itself and you can destroy same.

Mr. Peabody seemed to be impressed with the idea that Wilson would carry the State of New York, as he believed the farmer vote, normally Republican, would swing over somewhat to Wilson. On the other hand, the betting in Wall Street to-day jumped to 10 to 6 on Hughes as against 10 to 9 earlier this week. It is a very mixed situation and opinions differ so widely that evidently it is to be a close election or else politicians are being very much deceived, as leaders in both parties seem to be under the surface quite anxious.

Governor Fancher remained over to-day, leaving to-night, but he was the only one who called at the bank to-day. It is supposed that there will be a meeting of the governors in Washington about the 20th to 25th of November and if you have any matters that you think should be brought up, kindly advise our genial secretary or me.

Governor Harding is to speak here to-night at the Bankers Institute in re acceptances, and a copy of his address will undoubtedly appear in some of the periodicals which reach you; otherwise advise us, and we will send on a copy for you.

I enclose herewith a comparison of the activities of the bank a year ago and now, which, while not as complete as I hoped it would be when I asked for it, still gives you some interesting information.

I think this is enough to weary you on this trip and I will defer



the balance until to-morrow.

With kind regards, I remain,

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP  
Encs.

SUMMARY OF TRANSIT DEPARTMENT

MONTH OF OCTOBER, 1916.

<u>DATE</u>	<u>TOTAL</u>	<u>NO. OF ITEMS</u>		<u>DIFFERENCE</u>
Oct. 2	8,508,640.39	27,871	-	.36
3	9,036,182.50	33,342	-	.17
4	8,569,737.13	30,894	-	.97
5	8,657,646.75	31,658	+	.03
6	8,577,282.50	31,531	+	.45
7	7,215,534.63	31,552	-	1.50
8	7,851,438.46	29,725	+	.38
10	7,706,254.76	39,910	-	1.44
11	9,632,659.62	36,355	+	.01
13	12,770,717.43	40,906	-	1.70
14	12,643,029.87	48,113	+	.40
16	11,363,961.52	40,922	-	1.26
17	12,918,493.87	42,868	-	2.27
18	9,686,482.43	38,872	+	1.67
19	9,524,090.08	36,845	+	.83
20	10,469,276.32	31,383	+	.83
21	8,675,775.12	29,745	+	.21
23	10,012,091.56	31,233	-	.15
24	8,859,919.04	37,557	-	.35
25	9,051,199.43	32,020	+	.15
26	9,723,756.45	30,781	+	.05
27	8,736,092.31	31,116	-	.66
28	7,628,665.96	28,158	-	1.87
30	9,310,625.78	30,119	-	.48
31	9,674,289.50	34,054	-	.23
<b>Total</b>	<b>236,897,826.21</b>	<b>857,550</b>	<b>+</b>	<b>5.01</b>
<b>Average</b>	<b>9,472,313.05</b>	<b>34,302</b>	<b>-</b>	<b>.34</b>

FEDERAL RESERVE BANK  
OF NEW YORK

*Summary*  
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November 2, 1916.

*NOV 7*  
*B.A. Jr.*

My dear Governor:

I have your favors of October 27th and Messrs. Jay and Curtis are going over your letter to Governor Pallain and we will endeavor to get it off to-day or to-morrow unless we find something in it objectionable, which does not seem at all probable.

I note your favor to Dr. Miller and shall enjoy going over it carefully. Personally I have no doubt that we could draw into the bank a considerable amount of gold certificates, replacing same with Federal reserve notes, if we were to take the matter up individually with people who we know are interested in the successful development of the Federal Reserve System.

Governor Harding in his address last night spoke of the replacing of gold certificates in the pockets of the people by Federal reserve notes as a desirable thing to accomplish, if it could be done. Of course, if the Federal reserve notes could be treated as bank reserves, it would be easy. I think if Messrs. Jay and Curtis approve, that I would try this matter out in a small way and see whether we get any results.

Governor Harding reached New York about 6 p. m., dined at the McAlpin and left at midnight for Washington, so that Mr. Jay and I did not have a chance to have any satisfactory talk with him. He made some verbal additions, which modified one or two of the objectionable statements in his address, and I think, taken as a whole, it was very good and well received. They put him on the grill afterward and some of the questions he handled very well but two or three questions put up to him by the foreign exchange men he floundered.



Governor Harding told me that he thought immediately after election the foreign arrangements could be taken up actively, but said that it was very difficult to accomplish anything satisfactorily just at present. I told him that I had not taken the matter up with him direct as you were in touch with him all the time but I did feel very strongly that we were losing valuable time and that we ought to make these arrangements so that the machinery would be oiled, and do it at the earliest possible moment.

You speak of the necessity of looking up the old correspondence and I assume Mr. Curtis has told you that he took the files to Washington with him and I think the matter was put up to the Board as strongly as it could have been done. I am personally convinced that it was a good thing that this matter came up as it did, although the handling of this particular case was most unfortunate except that it brought to the surface the feeling in regard to these acceptances, and I think cleared the atmosphere for the future so that such a condition will probably not arise again. It remains to be seen to what extent they killed the goose which lays the golden egg at the present time.

Regarding foreign vs. domestic acceptance rate, I think it is clearly understood by all of us that we should not discriminate against the domestic acceptance in the rate, and inquiry made among some of the prominent bankers here this week indicates to me that thus far we have not raised unfavorable comment by our handling of the matter.

I cannot tell you how happy your paragraph about your own condition has made us all feel here. Every report of your gaining in flesh and of your having more strength and better spirits (not alcoholic) gives us new inspiration to tackle the many problems which come to us every week. If you will just keep on gaining and criticize us all you can, we will stand plenty of hard work and take the discouragement as it comes. We certainly

11/2/16.

expect you to be back on this job "as good as ever" and will welcome the day when you can be with us to direct affairs again.

We have been talking about taking up immediately after election the question of bringing the State banks into our collection system and trying to do some other constructive work. We have been somewhat demoralized by the vacations this summer and fall, but now that all the junior officers are back I hope we can find more time for the bigger problems.

The Hughes sentiment seems to be growing here in the financial district. How it is outside, it is difficult to tell and we must await the decision at the polls. If the Comptroller was an elective office, we might secure some results by a vote.

With this goes my very best wishes.

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP

*Travis*  
*178*

FEDERAL RESERVE BANK  
OF NEW YORK

November 3, 1916.

*NOV 7 1916*  
*R.A.H.*

My dear Governor:

To-day Jay, Curtis and I had Mr. Thralls, Secretary of the American Bankers Association for luncheon with us and discussed with him the work of the committee (of the American Bankers Association) twenty-five in number, of which Mr. Lyford of Waverly is a New York representative, which committee has in charge the legislation pertaining to the collection system.

Mr. Thralls indicated that he had prepared the questions in the article to which I called your attention in the New York Times known as the "planned referendum," and he stated that already the State secretaries were sending out these questions for a referendum vote. He stated further that the questions were not drawn in the way that he would naturally have put them except that he knew the temper of the member banks and wanted to have questions propounded of such character as they would answer.

He proposes to go to Washington next week to discuss the matter with the Federal Reserve Board and others, and later after he has compiled his information, some of which he has asked of us, he proposes to call his committee together. It is too late to change the form of question propounded, so we had a frank discussion and will try and keep in touch with him.

He feels that the collection department should be handled by the Federal Reserve Banking System and that additional clearing houses or branch collection departments should be installed in places like Cincinnati, Pittsburgh, etc., to insure more direct collections. He further feels that the member banks should be authorized to make an exchange charge on checks sent



them as compensation for the service, time, overhead, etc. He did not seem to be very clear as to what that charge should be or how it was to be worked out, except that he would have a committee of competent people go into different banks and make an analysis of the cost of this work.

There are more acceptances being offered now and they will probably increase. We are carrying, as Mr. Kenzel has advised you, \$2,500,000. of Brown Brothers, and I am led to ask whether it would not be well for you to write to Mr. James Brown, suggesting that he have his Boston and Philadelphia branches make statements to the Federal reserve banks in those cities and to consider further making a statement which he would permit us to send to other member banks like Chicago, St. Louis, etc., which banks might, if they had these statements, buy their acceptances in much larger amounts.

I assume you have the record of the total amount of acceptances of each accepting bank or house, and if you find we are accepting too heavily of any one line, kindly advise. Mr. Sabin told me the other day that they had accepted about \$60,000,000. of bills at the present time, which I assume is quite largely of cotton just at present. We have about \$4,500,000. in the New York bank at present of the Guaranty and they are being offered, as well as Brown Brothers, quite freely now.

I am enclosing herewith a copy of our letter to M. Pallain and you will note therefrom that we are forwarding now the various pamphlets, books, etc., which you suggested, and Mr. Hendricks made up a very good brief on the operation of our transit department.

I assume that on receipt of a letter written to-day by Mr. Curtis, making one or two suggestions, and especially in view of the \$20,000,000. item mentioned by you, about which we seem to be in the dark, you will rewrite the letter and forward it direct to M. Pallain, sending us a copy for our files.

I trust that we are handling this in a manner satisfactory to you.

Your letter of October 31st came to-day but by this time you probably have all the detail in regard to the French credit, which caused so much discussion. They are working now on the basis of a \$50,000,000. credit, of which the Federal Reserve Board permits \$20,000,000. to be acceptances of member banks. Mr. Kent made a very favorable impression in his statements and attitude at the meeting of the governors here on Tuesday.

Mr. Jay and I contemplate making an effort to exchange Federal reserve notes for gold certificates with some of our member banks, who we believe are favorable to the Federal Reserve System.

From what I learn from Mr. Jay, the nominations which are coming in for Class B. director are decidedly in favor of Mr. Towne.

I go home to-night and expect to remain there until Tuesday noon, so as to vote on Tuesday. Wilson had a very big reception here last night, weather was favorable and parade big. The situation, however, is a very mixed one and I make no forecast of the result.

With kind regards, I remain,

Sincerely yours,

*ATJ*

Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP  
Enc.

*Copy*

FEDERAL RESERVE BANK  
OF NEW YORK

*Summary*  
178  
R.A. Fr.  
NOV 14 1916

November 9, 1916.

My dear Governor:

You can imagine the turmoil in Wall Street yesterday over the closeness of the electoral vote for president, which was intensified by the conflicting news from hour to hour, first indicating Hughes' and then Wilson's election.

Regarding the scheme of imposing penalties for deficient reserves, I would state that when Jefferson was at Richmond he secured all this information and at the meeting of the junior officers yesterday the matter was thoroughly discussed and the impression, I think, was that it would be better for us to keep two accounts, a reserve and a collection account, instead of one, but decision was postponed for further consideration and study.

I think the French credit matter will come out better than we figured and believe that after all the discussion of the question will lead to a better understanding and more care by those who handle the acceptances in the future.

Our bills discounted now are running about one million and our investments keep about the same but are gradually running off.

I regret that the Federal Reserve Board ruled as they did in regard to the Mechanics & Metals application, as there is a demand at present for dollar exchange and personally I cannot see why Italy, France, England and Russia should not be able to put into effect the machinery necessary, as well as South American or other countries.

I assume that you will keep in touch with what legislation in Congress you think is essential for this winter's session, and it might be help-



ful to us if you will write just what you contemplate attempting, so that possibly we might contribute a little along the same lines when some of the Federal Reserve Board or representatives in Congress can be reached from this end.

After discussion with Mr. Jay, who is laid up for a couple of days with bronchitis, I shall write to a few bankers up the State, and as soon as possible Mr. Jay and I will visit some of the city bankers to discuss the substitution of Federal reserve notes for gold certificates, after which we will be in a better position to know whether there is any possible development worth while along these lines. Of course, if Congress will make the Federal reserve notes reserve, then our accumulation of gold will be simpler.

Have you any suggestions to make to us in regard to the State Department, now that election is over, taking up the foreign relation matter? I should think you might write to Governor Harding and possibly Mr. Delano and others to see if they will not take the matter up at once.

Mr. Warburg was here on Monday and seemed strongly to feel that we should differentiate against finance bills in our rates, and we shall bring it before our directors next Wednesday, although from my standpoint I should not be very particular about developing this differential just now.

I am glad that you are enjoying such fine weather and hope that you will keep out in the air and receive the benefit of it.

We are rendering a statement to the Nederlandsche Bank up to October 1st, showing the charge for the first three months at 1/20 to be \$5,704. and the later charge at 1/10 per annum \$1,597., the total, with telegrams and cables, of \$7,707.

The balances are still running against us heavily and we will be obliged to transfer \$15,000,000. in gold to the Gold Settlement Fund to-day to keep up our reserve there. I think we shall be forced to adopt Mr.

Gibney's plan for pooling the holdings of United States notes and silvers, or work out some plan to hold our gold.

I enclose statement of "Due to" accounts as of the close of business November 8th.

To-day Mr. Smithers has invited Messrs. Jay and Kenzel and myself to lunch with Mr. Darling of the London Joint Stock Bank, who is at present in this country for a while. Mr. Jay, being sick, will not be able to attend.

I think I told you that the governors' meeting would be held in the second week in December, and it would seem to me that we should at that time try to get a more equitable division in our investments and also that we should have some plan to suggest which will enable us to hold our gold in New York rather than have it slip out through the other banks into circulation.

Thinking that this is enough for you to absorb in one day without weariness, I will stop and try and give you more to-morrow.

We have the annual meeting of the trustees of Cornell University in Ithaca on Saturday, and I hope to go up Friday night to attend that.

With kind regards, I remain,

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP  
Encs.

P. S. --- Mr. Hendricks has been away for a couple of days attending a funeral but is to go to Rutherford, N. J., to-night to talk to a group of bankers on the collection system. Next week he and I expect to attend a meeting of the Essex County Bankers at Newark, giving them informal talks.

Do you not think it wise, when we have a request from any group of

bankers in our district for someone to talk to them on some phase of the Federal Reserve System, that we should attempt to do so, and is it not all right to let Mr. Cann or Mr. Hendricks or Mr. Kenzel go out occasionally to talk on some particular phase of the operation of the system with which they are familiar?

R. H. T.



FEDERAL RESERVE BANK OF NEW YORK

STATEMENT OF "DUE TO" ACCOUNTS

At the Close of Business Nov. 8, 1916.

	<u>DUE TO</u>	<u>RETAINED</u>	<u>REPORTED</u>
Boston	\$ 11,474,402.30	\$	\$ 11,474,000.00
Philadelphia	8,398,624.77		8,398,000.00
Cleveland	5,114,602.43		5,114,000.00
Richmond	6,002,000.31		6,002,000.00
Atlanta	1,772,494.55		1,772,000.00
Chicago	5,085,442.00	2,000,000.00	3,085,000.00
St. Louis	1,008,902.02		1,008,000.00
Minneapolis	2,810,866.89		2,810,000.00
Kansas City	1,035,274.52	500,000.00	535,000.00
Dallas	3,475,652.81		3,475,000.00
San Francisco	3,600,918.73		3,600,000.00
	<u>\$ 49,779,181.33</u>	<u>2,500,000.00</u>	<u>47,273,000.00</u>

DUE TO OTHER FEDERAL RESERVE BANKS

INVESTMENT ACCOUNTS.

Boston	\$ 368,020.74
Cleveland	1,237,910.04
Dallas	250,000.00
Minneapolis	485,178.93
Philadelphia	668,595.72
St. Louis	153,843.05
San Francisco	499,118.71
	<u>\$ 3,662,667.19</u>



All of these balances have been retained by us.

BULLION CHECKS RECEIVED BY THIS BANK THROUGH THE CLEARING HOUSE FROM  
OTHER MEMBER BANKS WHICH WERE CASHED INSTEAD OF CHARGED  
TO THE GOVERNMENT'S ACCOUNTS ON OUR BOOKS.

<u>1916.</u>	
February	\$ 2,887,000.
March	2,470,000.
April	1,632,000.
May	3,697,000.
June	9,084,000.
July	8,446,000.
August	6,154,000.
September	2,773,000.
October	<u>17,304,000.</u>
	<u>\$54,447,000.</u>

# Correspondence

FEDERAL RESERVE  
BANK OF NEW YORK

Date November 8, 1916.

W. Treman

Subject: Difference Account.

From H. M. Jefferson

C O P Y

In response to your inquiry of November 3rd, I submit the following summary of the "difference account," as at the close of business November 4, 1916:

	<u>OVER</u>	<u>SHORT</u>
\$40.40 <u>Over</u> )		
previous ) From July 15th to 31st		\$ 69.14
to ) " Aug. 1st to 24th	\$ 109.54	
Block System )		
 \$1,041.59 <u>Short</u> )		
since in- ) " Aug. 25th to 31st		232.69
stalation of ) " Sept. 1st to 30th		594.65
Block System ) " Oct. 1st to 31st		193.01
) " Nov. 1st to 4th		<u>21.24</u>
	\$ 109.54	\$1,110.73
		Net short - - - \$1,001.19

There are some big differences which occurred prior to the instalation of the block system of proving, among which the following are the largest:

<u>SHORT</u>	<u>OVER</u>
July 17th \$ 254.09	July 19th \$ 273.61
" 18th 1,306.09	" 20th 472.69
" 28th 366.14	" 22nd 1,058.27
	Aug. 24th 326.59

The net result of these differences is a shortage of \$69.14 from July 15th to July 31st and an over difference of \$109.54 from August 1st to August 24th.

Since the return, on August 25th, to the block method of



# Finance Correspondence

FEDERAL RESERVE  
BANK OF NEW YORK

Date November 8, 1916.

Mr. Treman

Subject: Difference Account.

H. M. Jefferson

C O P Y

-2-

proving, the transit department is proving very much better. The following large differences are the only ones that need any attention:

<u>SHORT</u>		<u>OVER</u>	
Aug. 30th	\$232.98	Oct. 9th	\$100.62
Sept. 8th	405.80		
Sept. 18th	104.93		
Oct. 6th	278.56		

We found that in the operation of the transit department, in the early days, checks were sometimes left over from one day to another, in the rack, and that short differences of one day would be offset by over differences on the next day. While we cannot determine that some of these differences prior to the return to the block system on August 25th were caused in that way, the differences so nearly offset each other that it would seem to be not worth while to attempt to clear them from the books. I think we should make some effort to locate the differences since August 25th. The men who have been engaged in this work have lately been spending their time on the ledgers, clearing up old differences occurring during the early stages of the collection system. They are making good progress, and as soon as they have cleared up the differences in the ledgers we shall have them return to the transit work and find the differences since August 25th.

I do not believe that it will be possible to estimate the time that will be necessary to clear up all the old "shorts" and "overs," but I am pleased with the progress that is being made.

HMJ/HAB

FEDERAL RESERVE BANK  
OF NEW YORK

*W.A. Fr.*  
NOV 14 1916

November 10, 1916.

My dear Governor:

I have yours of November 6th and read extracts at the officers' meeting to-day, which meetings we are now holding again.

I have asked Mr. Curtis to send you the text of the application covering the acceptance credit granted the Bank of Commerce for the purpose of carrying hides for German account in Argentine.

We had some discussion yesterday as to whether finance bills drawn, for instance, by a London stock bank on the National City Company would be eligible for purchase by this bank and Mr. Curtis said they would not, but a letter received from Mr. Warburg this morning stated that such finance bills, originating in countries where the trade custom permitted such and in which the demand for dollar exchange would naturally arise at the present time, are eligible for purchase under the recent ruling.

Governor Aiken expects to be here next Tuesday or Wednesday to discuss various rates with us and we will go over with him the question of the American Bankers Association committee in re the collection system.

This morning's papers generally concede the election of Wilson but the stock market has shown decided strength, and I hope that the result will not be detrimental to general business. Personally I am hopeful that there will be a Republican House with a Democratic Senate, if the president is to be a Democrat, as we will then have more conservative and better digested legislation, I should think.

Knowing that you are interested in the "difference account," I am enclosing a report under date of November 8th from Mr. Jefferson, in response

to my request, and think that it should prove interesting to you.

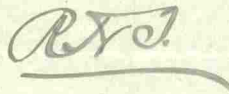
I had a talk this week with Mr. Sailer concerning his salary, which you will recall is at \$10,000. whereas when he came he stated that he would like \$12,000. He has been here since July 1915 but told me this week that he was leaving the matter entirely in the hands of the directors, and I suggested that I would report the matter to you but assumed that inasmuch as it was only six or eight weeks to the first of January when the officers salaries would be reconsidered by the board under an understanding to that effect, it might be well to let the matter now run along until that time. Have you any suggestion to make for my action in this matter other than what is above outlined?

You will have the latest bank gossip in the office report sent you to-day, so I will not go into detail further.

Be assured that we all maintain our very great interest in your life and improvement and want you to keep us posted from time to time as to your progress for the benefit, not only of the officers, but of your many friends who inquire of us.

With kind regards, I remain,

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP  
Enc.



FEDERAL RESERVE BANK  
OF NEW YORK

*Dreman*  
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*R.A.H.*  
NOV 17 1916

November 13, 1916.

My dear Governor:

Mr. Jay has been confined to his house for about a week and this morning I called on him on my return from Ithaca, finding him still in bed with a bronchial cough, which is annoying. He hopes to be around, however, some time this week.

He showed me a letter from Mr. Warburg, in which was stated that a copy was being sent to you, in re finance bills. In view of the differences of opinion, it would seem that it must be a matter of educating the Federal Reserve Board and Congress to see the wisdom of extending the privilege to certain other countries, leaving it to the officers of the Federal reserve banks to use their discretion in the buying. I assume that you will formulate a brief or in some way discuss the matter with Mr. Warburg and the Board, but so long as the regulations are as at present, we must be governed accordingly.

I heard indirectly to-day that there was serious consideration, if not decision, at Washington, in favor of issuing \$5. gold certificates. I earnestly hope that this report is not true or that the action can be headed off and am writing to Mr. Warburg concerning this. *Will you write him?*

The Assay Office is ready to take the gold which came to us from J. P. M. & Co. but would it not be well for us to hold on to it somewhat longer, in fact as long as we can? Please advise.

I am sending out to-day a number of letters to different bankers whom I know personally in regard to the gold certificate exchange for Federal reserve notes.

Mr. Hendricks has given me a brief on the clearing house matters.

11/13/16.

I note that you have written Mr. Brown and will await further advice from you. I will go over the matter of the standing of the different banks with Mr. Kenzel and advise you later.

Mr. Jay's illness unfortunately is holding up some of the more important things, as it keeps the rest of us busy with detail. We will, however, try and keep matters going along and expect to have a meeting of our directors on Wednesday.

I earnestly hope that you are improving all the time and am glad to learn from your letter to Mr. Curtis that you are acquiring a knowledge of the French language.

With kind regards, I remain,

Sincerely yours,

*Benjamin Strong*

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

*I understand that you are preparing the way for offerings of British Exchange notes 60-90 days in this country - (Rumor)*

RHT/CEP

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FEDERAL RESERVE BANK  
OF NEW YORK

*R.A.H.*  
NOV 13 1916

November 14, 1916.

My dear Governor:

Mr. Jay is somewhat better to-day but still confined to his house and will probably not be out before the latter part of the week.

I am enclosing one or two sheets from the ticker this morning, which may be of interest to you. You will note that the French credit has been closed up and quite a number of out-of-town banks participated.

Regarding Mr. Glass, I assume from what I have heard that if Mr. McAdoo retires, it will be in order to engage in business for more money.

I enclose copy of a letter being sent to-day to Governor Harding by Mr. John E. Gardin, in which I thought you might be interested.

I note what you say about finance bills and assume that there is nothing for us to do under the present regulations but to follow instructions. In a letter from Governor Harding to Mr. Gardin he wrote, "Though there is no necessity for requiring that a draft should be connected with some specific exportation or importation of goods, nevertheless the accepting bank should be sure that the proceeds of the draft are to be used for the purpose contemplated by the Act." Would it not be possible for the Federal Reserve Board to permit of finance bills being accepted by member banks and our purchase of them, even if they do emanate from countries where trade usage has not made them the general custom, requiring of the accepting member banks that they be satisfied, before accepting, that the proceeds are to be used for commercial purposes as indicated by the Act. If some arrangement of this kind should be made, it would seem as if it might help develop the acceptance business, but at the same time maintain proper restrictions as to the amount.



I enclose copy of a report made to me at my request that the officers of the bank should consider the proposed plan of Mr. Gibney at Washington for the creation of a silver and legal fund, which will be of interest to you, I think, whether you agree with the conclusions or not.

At the meeting of the directors to-morrow I shall bring up the question of increasing our acceptance rates a little, say  $1/8$  to  $1/4$ , as I believe that by so doing we will not interfere seriously with the development of the acceptance business, as our rates seem to be below the market at the present time, and personally I think it is time that we should take this action, as a slight warning signal against undue expansion, as I find the country banks are in many cases well loaned up, having taken up the slack caused by the reduction of reserve requirements; and upon asking the opinion of Mr. Alexander and Mr. Hepburn, I find that they think it wise and that the conditions justify it. I expect to talk with Mr. Vanderlip as soon as I can reach him by phone. If the action is taken, I hope that you will feel that we are acting wisely.

In view of the report that the government is considering the issue of \$5. gold certificates, I hope that you will be able to work up your brief on the currency problem.

Governor Aiken has written me concerning the fiscal agency matter, enclosing letters from Fancher and Malburn, and I think we will arrange a meeting in Washington prior to the Conference of Governors for a report. It seems to me that Judge Elliott's suggestions to the effect that the national banks be used as depositaries for customs and revenue and the Federal reserve banks as agents for the disbursements is apparently sound, so far as my limited knowledge goes. Have you any suggestions otherwise?

I find that in the year between November 11, 1915-1916, the deposits in the New York clearing house banks have increased \$253,000,000. while loans have increased \$332,000,000. There is nothing new in the clearing house rela-

tions as yet.

We shall discuss to-morrow the advisability of our buying any more 2% bonds with the idea of converting them January 1, 1917, or soon after, if they can be bought between 99 and 100. What do you think?

With kind regards, I remain,

Sincerely yours,

*R. H. T.*

Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP  
Encs.

Later --- I just talked with Mr. Vanderlip about the raising of our rates, say 1/4%, and he said that he thought it was wise to do so but that probably the market would not follow us just at present; on the other hand that we would be taking the right step in anticipation of what he felt would surely come later. What the directors will do to-morrow, of course, I do not know, but I knew you would be interested in the opinions of these men as to the wisdom of this proposed action.

R. H. T.

*RHT*

FEDERAL RESERVE BANK  
OF NEW YORK

Treman  
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12 A. M.  
NOV 20 1916

November 16, 1916.

My dear Governor:

We had a long directors' meeting yesterday, lasting until after one o'clock, all being present except Mr. Starek, who, I understand, has been ill.

The board authorized the purchase of one million dollars United States 2% bonds but put a limit of 99 7/8 on same. The market is about par but we may pick up some at the price, with the idea of converting them in January.

I have been thinking for some time that our acceptance rates were somewhat too low and that we could advance them 1/8 to 1/4 profitably, and after consulting with the three bank presidents and Mr. Woodward, as I wrote you, I brought the matter up yesterday and the directors authorized an increase of 1/4 of 1%, making our base rate 2 3/4% for member bank acceptances, ninety days, with the usual differential of 1/4% for member bank indorsements. We are bidding 1/8% higher for non-member bank acceptances.

We had a long discussion over the differential that Mr. Warburg suggested we should place against the "renewal credits," and his letters to Mr. Jay were read to the board, but I think the opinion of those who felt prepared to express an opinion, like Mr. Woodward and Mr. Peabody, was to the effect that we should not make any differential just at present but that possibly our advance in rates of 1/4 of 1% would clear up the situation so far as our accumulating too large a percentage of the renewal credits was concerned. The matter was finally referred to the two deputy governors (Woodward and Treman) with power to fix a differential if in their judgment conditions demanded it, and I have so advised Mr. Warburg.



Mr. Darling of the London Joint Stock Bank came in yesterday with Mr. Smithers and asked about the eligibility of certain kinds of bills, being particularly interested as to whether bills drawn against and accepted by a member bank here, provided the proceeds were used for the import and export of goods, would be eligible. So far as we could judge, he was considering the establishment of revolving credits here but did not so state definitely.

This morning I had a talk with Mr. Gardin of the National City Bank, suggesting to him that he, Mr. Kent, and some others, representing the Mechanics & Metals, Chase, or such banks as accept, should go down to Washington and have a frank talk over the whole subject of the development of the open market for acceptances and that would give them an opportunity for discussion over details and rules and regulations pertaining thereto. He said he thought it a good idea and would see if it could not be done. If they do it tactfully, I think that they would do much good and it would help the situation all around.

I am sending you a copy of my address on "Trade Acceptances," which the hardware association sent to all of its members, and one or two other associations have secured sufficient copies for their membership also.

I wrote to about thirty banks up-state about the exchange of gold certificates for reserve notes but have not tackled the city banks, as I am waiting for Mr. Jay to return to the bank, which I hope he will do Monday. Every bank, so far as I have heard, has taken kindly to the idea except one and he is an individual whom I know and he has his peculiarities. It raises the question whether if this should work out satisfactorily, it would be wise to send a circular to every bank in this district, suggesting that this be done and that they send us gold certificates for reserve notes. I am enclosing copy of the style of letter I am writing to them and will be glad to have your views on the subject.

To-night Mr. Hendricks and I are to appear before the Essex County, N. J.,

bankers for an informal talk on the operation of the Federal Reserve Act, and I hope we may give them a little but I have been so busy that I have had no time to prepare any address.

Mr. Curtis will write you about some new developments concerning Mr. Starek, who has not attended the last three of our meetings.

I advised Governor Aiken and Governor Rhoads yesterday of our advance in acceptance rates of  $1/4\%$  and Aiken telephoned me this morning that he very much approved this action and that he would come over to-morrow to talk over the differentials and other matters with us. I have invited Governor Rhoads to come also, although I have a meeting of the finance committee of Cornell University at the bank; but I can arrange to see Aiken and Rhoads, as I think it is essential we all work together so far as we can. Evidently we must expect that we will not be able to purchase as many bills for a time but I believe that on the whole, from the comments made by different ones around town, our advance of rates is now justified.

I enclose a memorandum of our gas tests on the concrete work for the vaults. We are pushing the matter and hope to have the vaults soon after January 1st.

We discussed yesterday printing Mr. Warburg's address at Kansas City but the consensus of opinion was that it having been published in the American Bankers Association Journal and in various other ways, it was rather late now for our bank to attend to it.

I am sending you herewith a brief prepared by Mr. Kenzel at my request, in answer to your letter about some of the acceptances we have purchased. Regarding the Brown Brothers acceptances and the limit placed upon the purchase of private bankers' acceptances, the matter was discussed yesterday and it was thought advisable to keep the limits about as they are now, pending further developments.

I shall be glad personally to have you advise me as to how you are getting along, and with kind regards, remain,

Sincerely yours,



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

RHT/CEP  
Encs.



*Originals to  
Mr Curtis for meeting  
JH*

Report of blau gas tests held at the K-G Cutting & Welding Company's yard, 556 West 34th Street, New York City, November 13, 1916, on samples of concrete.

One sample, one yard square by one foot thick, composed of a four to one mixture and trap rock.

Gas applied at 5:37 p. m.

" off 5:56 " "

Heating 19 minutes

Sledge & Chisel 5:57 p. m.

to 6:14 " "

Cutting 17 minutes

Hole made 8 in. by 10 in. and 5 in. at the deepest point - approximately 133 cubic inches in 36 working minutes, or about 3.7 cubic inches the minute.

Second sample similar to first except that instead of trap rock, glass slag was a component.

Gas applied 6:17 p. m.

" off 6:35 " "

Heating 18 minutes

Sledge & Chisel 6:36 p. m.

to 6:52 " "

Cutting 16 minutes

Hole made 12 in. by 12 in. and  $3\frac{1}{2}$  in. at deepest point - about 168 cu. in. at the rate of 4.9 cubic inches the minute.

While the glass slag sample seemed to cut away faster on the surface, it was appreciably noticeable that the cutter could not gain the depth in it that he did in the trap rock.

PRESENT: L. F. Sailer, L. H. Hendricks, E. R. Kenzel, J. D. Higgins, H. V. Cann and H. M. Jefferson

## Office Correspondence

FEDERAL RESERVE  
BANK OF NEW YORKDate November 14, 1916.To Mr. TremanSubject: Mr. Strong's letter of Nov. 8th.From E. R. Kenzel.

Referring to the items that Mr. Strong has remarked in his letter of November 8th, I beg to report as follows:

FOURTH ATLANTIC NATIONAL BANK, BOSTON.

This is a consolidated institution as the name indicates. Capital \$1,500,000., surplus \$1,726,000, deposits slightly in excess of \$20,000,000, total resources \$24,858,000. They are acceptors under the new Brown credit. Mr. Aiken has checked the name for us, and on October 25th wrote:

"I enclose herewith copy of their last published statement. This bank is one of the smaller banks and specializes in the market men's businesses. It is, I believe, a conservative and well-managed institution. We have bought their acceptances in small amounts and at the same rates as those of the larger banks."

BANK OF CHARLESTON, N. B. A.

The directors November 3, 1915, authorized a line of this name of \$100,000., which we purchased shortly thereafter. At that time the bank was trying to establish its name in New York on practically the same rate as the bills of the larger New York banks. We declined offerings at the low rates and have not <sup>again</sup> bought the name until this fall when it came at 2 3/4%.

ANGLO SOUTH AMERICAN BANK.

This bank particularly active on the west coast of South America is apparently doing an increasing and profitable business. We have had it checked up in this country and also abroad. The foreign comment was favorable applying to the institution as at present organized but referred to antecedents that were not altogether prime. Their acceptances that we have purchased are bills drawn by the Calumet & Hecla Mining Company on exports



## Office Correspondence

FEDERAL RESERVE  
BANK OF NEW YORK

Date Nov. 14, 1916.

To Mr. Treman

Subject:

From E. R. Kenzel.

-2-

of copper from Chile and are indorsed by either the Girard National Bank of Philadelphia or the Corn Exchange National Bank of Philadelphia. The name also appears as indorser on a great many bills originating in Valparaiso which are drawn to the order of the Valparaisian branch.

MULLER, SCHALL & COMPANY.

We have taken this name only in very small amounts with banking indorsements. The Bank of the United States has indorsed and sold us most of this name now held by us at from 3 1/4 to 3 1/2% discount.

NATIONAL CITY BANK.

We get none of this name from or through the City Bank, which, I understand, buys all of its own paper that it can, and I have never heard of it disposing of any of its bills to any one.

BALFOUR, WILLIAMSON & COMPANY.

We have no statement of this concern but all of their bills that we have purchased are well indorsed, the line at the present time being:

\$97,000.	Indorsed Chartered Bank of India, Australia & China,
29,000.	" Hongkong & Shanghai Banking Corp.
64,000.	" International Banking Corporation.

A. F. KLINGSMITH

This man has for a long time been a nominee for the Bank of New York, N. B. A., and more recently assistant cashier of that institution. We have had his name only on paper that has come through the Bank of New



# Office Correspondence

FEDERAL RESERVE  
BANK OF NEW YORK

Date Nov. 14, 1916.

To Mr. Treman

Subject:

From E. R. Kenzel.

-3-

York either directly or indirectly and is also indorsed by the Bank of New York or indorsements guaranteed by them.

MERCHANTS NATIONAL BANK, WORCESTER, MASS.

We have had this name only as indorser on acceptances of the First National Bank of Boston, which come to us from the Federal Reserve Bank of Boston.

F. D. V. TELFAIR.

This man is not of Paris but of New York. He is in charge of the commercial credit department of J. P. Morgan & Company in New York and is the drawee of a great many of the bills drawn under their syndicate credit to the Paris & Orleans Railroad.

ERK/IWB.

Treman  
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FEDERAL RESERVE BANK  
OF NEW YORK

November 17, 1916.

NOV 22 1916

*M. F. G.*

My dear Governor:

I have yours of November 14th and regret that they did not reach me a few hours earlier, as by appointment Governors Aiken and Rhoads were here for a meeting this morning and fortunately Mr. Warburg dropped in unexpectedly and I invited Mr. Woodward to come over, so that we had, with Mr. Curtis, quite a satisfactory meeting and discussion of the renewal credits, our rates, etc.

Governor Aiken came with the idea of trying to persuade the New York bank to make our differential for member bank indorsements  $1/8$  instead of  $1/4$  but while Mr. Warburg agreed that ultimately that would be the proper way, evidently Governor Aiken stood about alone in his contention for action at the present time.

We had quite a discussion over the renewal credits and secured Mr. Warburg's views as to our general attitude toward them, which seemed to me a reasonable one, but Mr. Curtis will write you more in detail, as I was obliged to leave the conference before they had finished, having made an appointment with the finance committee of Cornell University, who met in our directors' room for a meeting.

Evidently our raise in rates has not made any material difference as yet except to have received commendation on all sides that we had taken this action, and to-day we secure a small piece of Bankers Trust Company domestic acceptances on a 3% basis.

I had an appointment to-day with Mr. George Blumenthal of Lazard

Freres, who called with the idea of making arrangements so that the acceptances

11/17/16.

of his firm would be eligible for purchase. I told him that if he would kindly prepare a statement and submit it to Mr. Jay and myself next Wednesday or Thursday, after Mr. Jay returns, I thought there was no question but that we could arrange the matter satisfactorily to him. After discussing the acceptances business, into which he said he was entering very conservatively to the extent of about \$1,500,000. at present, he vouchsafed the statement that our rates had been too low and that he thought our raising them would be advantageous, and also stated that he was sorry to notice in the development of the acceptance market that some acceptors bought their own acceptances, which he thought was very bad banking practice.

I noticed Mr. Darling of the London Joint Stock Bank with Mr. Kent at lunch to-day and I assume Mr. Darling is discussing some arrangements for credits for the London Joint Stock Bank.

I think Governors Aiken and Rhoads felt very well repaid for their visit here and that the conference with Messrs. Woodward and Warburg helped all of those who participated.

Mr. Hendricks and I spoke at Newark, N. J., last night before somewhat over a hundred New Jersey bankers from Essex County. They treated us very nicely and I think we each talked about twenty to twenty-five minutes possibly. Then they asked Mr. Hendricks a few questions about the Collection Department. Of course it is always difficult to estimate impressions, but we felt that possibly we had given them a little light on the operation of the reserve banks and the function of the Reserve Act.

There does not seem to be any end to the advance in commodity prices, especially those affected by the war, like cotton, copper, steel and iron products, etc., and I assume we must expect a continuous upward movement so long as the war lasts. Mr. Peabody told me this week that he understood from good sources that feelers were being put out and that possibly President



11/17/16.

Wilson would try and ascertain some terms on which peace might be worked out. You can take this for what it is worth.

I understand Mr. Curtis is writing you two or three volumes to-day and so I will not send more than one as a contribution to the good cause.

Doctor Treman is somewhat concerned, I find, for fear that in your great interest in the bank and its matters you will be led into over-work and side-stepping the everyday plain duties which you owe to yourself and to your friends to build yourself up in every way. If you think it necessary to serve an injunction upon you, let me know, so I can consult some good attorney out there. If you are bound to keep the peace and live rationally, we will accept your statement in the matter, without proceeding further.

I hope to spend to-morrow and Sunday in Ithaca but to be back on the job early Monday morning.

My very best to you.

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP

FEDERAL RESERVE BANK  
OF NEW YORK

*Human*  
178  
R.A.H.  
NOV 25 1916

November 20, 1916.

My dear Governor:

I spent Saturday and Sunday in Ithaca and am now back on the job. Mr. Jay also showed up this morning for a half a day and seems to be improving each day but will probably only put in a half day at the office for part or all of this week.

We are getting quite a large amount of acceptances, buying to-day some eight or nine <sup>hundred</sup> thousand, and our total amount, as you have probably noticed, is something over \$32,000,000. (high water mark.)

The responses from member banks as to their willingness to cooperate in sending us gold certificates are very pleasing and in a letter from Mr. Warburg this morning he expressed the thought that it would be a good thing to send a circular to all the banks in this district, but Mr. Jay and our astute counsel, in discussing the matter this morning, thought that it would be better for me to continue sending personal letters to each bank, so that within a couple of weeks we will have circularized them all, and we can reach some of the larger banks in the city by personal interview.

Mr. Curtis is sending out a notice to the other banks, requesting a conference of the auditors and transit men in the middle west about December 4th, and should you think of any matters which you would suggest to be considered by them, kindly advise and we will have Mr. Jefferson look after same.

I will endeavor to have the governors prepared to vote upon the questions as outlined in a general way by you in yours of November 14th but

would like to discuss same with my colleagues as to the form of letter, etc.

Messrs. Jay and Curtis hope to go up to New Haven for the annual football game on Saturday, and the results of the games played Saturday last (Yale beating Princeton and Brown beating Harvard) only adds zest to the coming conflict.

Do your best to keep in good spirits and if there is anything more that we can do to aid, do not hesitate to command us.

With kind regards, I remain,

Sincerely yours,



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

RHT/CEP



FEDERAL RESERVE BANK  
OF NEW YORK

November 22, 1916.

My dear Governor:

We had another call this morning from Mr. J. F. Darling of the London Joint Stock Bank, he making further inquiries as to the kind of bills which would command the best sale in this market and those which would be eligible for purchase by this bank. He was asking particularly as to how we would compare acceptances of the Chemical National and the Bankers Trust Company, and we advised him that at the present time there would be a 1/8% differential in favor of the Chemical National acceptances.

I asked Mr. Kenzel to give Mr. Darling a list showing the rates now prevailing, with their differentials, for his guidance, the same, of course, being subject to change without notice, and assured Mr. Darling that we would be very glad to give him any information pertaining to our acceptances or other matters, which he might desire from time to time.

We had an inquiry from the Credito Italiano from Milan under date of October 27th, asking if we are in a position to enter into reciprocal banking relations with them, and I am replying as per copy enclosed herewith. [see file daily]

I am enclosing copy of letter from Governor Harding to the National City Bank, which has stirred them up somewhat and Mr. Gardin, I think, will probably go down there this week to see them.

That brings up the question whether there is anything can be done to bring about better relations between the banks and bankers of New York City and the President and other officers of the Federal Government. We must recognize that the President and the democrats will be in power, and it would seem as though a committee of bankers from New York might make some impression

Treasury  
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B.A.H.  
NOV 28 1916

on certain people, if they should go down there occasionally and keep in touch with the situation. There ought to be the same cordial relation between the government and the bankers as prevails in other successful nations.

I also feel that there should be more frequent interviews between the men who are actually transacting the foreign exchange business of the country and the Federal Reserve Board, and if once a month or so two or three of the foreign exchange men could visit and discuss matters with the Federal Reserve Board, it seems to me it would be productive of good. Have you any suggestions along these lines?

I had a letter from Mr. Starek to-day, in which he says, "I have been on annual leave, of which I was greatly in need, and am feeling considerably better as a result. I am leaving the city again to-night but expect to return in a few days," but he makes no mention of his taking up his work again.

Are you studying the currency question and do you propose to make any suggestions for legislation concerning these matters at the coming term of Congress?

I will ask Mr. Curtis to prepare a memorandum on the liability of Federal reserve notes being "extinguished" or "reduced."

Governor Seay writes that he is working with his committee on the question of investment allotments and Mr. Jefferson is working up a brief to submit to him.

To-day we had offered by Bernard, Scholle & Co., \$300,000. of Brown acceptances in connection with the Paris-Orleans Railroad, same being indorsed by the Girard National Bank. While we were up to our limit of the Brown acceptances, after discussion of the same with Mr. Woodward, he thought, and I agreed, that we should buy them, which we did, at 2 7/8.

*Later = We failed to get them after all - Rate too high  
Call money today went to 5%*



Mr. Jay came down to the bank Monday but was back in bed again yesterday and has a nurse, (as he did not follow Doctor Treman's advice) but is better to-day and I have suggested to Mrs. Jay that they go to Atlantic City for a few days before he takes up his arduous duties in connection with the Federal Reserve Agents' Conference December 4th. He probably will be away from the bank, however, for a few days yet.

Am I unwise in sending you so much of this detail? If so, I will cut it down, because we do not want to overtax you and certainly to do want you to feel that you are under any obligation to reply in detail except in re matters about which we ask your advice.

While you are absent from us, you are still a great inspiration to us all and we rely very much upon your judgment, and it is a source of great gratification that while you are so far away from us, you are able to give your mature thought and judgment to the important problems which are constantly coming up and which will develop for a while yet in connection with the Federal Reserve System. Realizing as I do how few men are fitted by natural ability, by training and experience, and by a rare combination, as you, my dear Governor, are for this particular work, I hope you will pardon me if I seem to be too persistent in my urging you to be faithful in doing everything which will tend to improve your health and develop your reserve strength, and to refrain from anything which will interfere with that work, to which you should consecrate yourself.

Just be good and give the country the benefit of your rare talents, as it certainly does need you, and there is much yet to be done and we all feel that you are the one to do it.

With assurances of my sincere affection and interest in all that



you are doing, I remain,

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP  
Encs.

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FEDERAL RESERVE BANK  
OF NEW YORK

November 24, 1916.

My dear Governor:

Your personal letter came in to-day and as I am going home to-night I shall not attempt to answer but hope to talk with Mr. Peabody and Mr. Woodward in the early part of the week and will write you then, but I am perfectly clear in my own mind as to the arrangement the bank should make with you for a continuance of your service.

We have had a regular "forum" on the question of acceptances rates and the mooted question of the "renewal credit" acceptances. Had a meeting just finished of Messrs. Woodward and Curtis and myself, Curtis having talked this afternoon with Mr. Jay, who is still at home. We have agreed unanimously to instruct Mr. Kenzel to continue the purchase of acceptances based on the credit largely, represented in each bill but without making any differential at the present time against the renewal credits, and that if we are approaching a point where we think we have as large a proportion of acceptances in our investments as we can wisely carry, we will raise the rate and regulate future purchases accordingly.

I assume that Mr. Curtis will write you more in detail to-morrow but hope that you will telegraph us, if you get this in time, as to whether you think this is right or not. We have a meeting of the directors on Tuesday at 11 a. m.

With kind regards, I remain,

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

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FEDERAL RESERVE BANK  
OF NEW YORK

November 27, 1916.

Dear Governor Strong:

I spent Saturday in Ithaca but returned this morning, as Mr. Jay is still ill although Mrs. Jay has just reported that he is better and hopes that he will, by being quiet this week, be recovered to permit of his attending the Federal Reserve Agents' Conference in Washington next week Monday, after which he may go to Atlantic City for a few days before taking up his work here again.

I wrote you Friday afternoon the result of our discussions during two or three days, trying to crystallize into a wise decision the various apparently conflicting views as to the handling of the "renewal credit" acceptances being offered, and Mr. Kenzel sent you, I believe, Saturday morning a brief covering the situation. For myself, I can say that our conversation with Mr. Smithers and my conversations with Mr. Alexander and Mr. Woodward confirmed the opinion that we had better continue handling the acceptances as they were offered based on the credit of each bill, having in mind, of course, all the time not becoming too saturated with them, and in case they should be offered in such large volume as to be in any way a menace, we should raise our rates and continue doing so until we had found a proper level to control the situation. I hope that this action will meet with your approval and that we shall so conduct ourselves as not to have the disapproval of the Washington authorities.

The newspaper discussions about Mr. Glass succeeding Mr. McAdoo were nipped by Mr. Glass' statement, which you probably saw, that he was not a candidate, etc. The general impression here seems to be that Mr. McAdoo will consider retiring into business life some time in the early part of the



next administration.

The junior officers are expecting to meet to-night to have an informal discussion over matters which will be brought up by the auditor and the transit men at their meeting next week in Chicago.

A circular letter from the Federal Reserve Board this morning indicates that they favor having a bond committee to control the purchase, as well as the sale, of government bonds, which to my mind is most essential.

I have sent to the various governors a copy of the letter we are sending out to our member banks about transfer of gold to us in excess of their reserve requirements. Governor Seay has responded by making an argument in favor of Federal reserve notes being counted as cash reserves in vault and says, "Nevertheless it is advisable to corral that gold if by doing so Federal reserve notes can be forced into circulation. It will serve a good purpose to accumulate gold in the present fashion against the time when the Act shall be amended."

Governor McCord has written requesting permission to have Mr. Walker, Manager of their New Orleans Branch, invited to the Governors' Conference.

Mr. Peabody is here this week and has been in the bank this morning, at which time I discussed with him the question of Mr. Starek and suggested that he get in touch with the facts and keep a line on the situation.

I judge from the fact that gold is beginning to come in again today that we shall have an easy market for money for a while yet, as long as gold comes in.

Curtis is feeling a little sore over the Harvard game with Yale on Saturday, but we must all take the bitter with the sweet.

With kind regards, I remain,

Sincerely yours,

Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.



FEDERAL RESERVE BANK  
OF NEW YORK

*Truman*  
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*B.A.H.*  
DEC 6 - 1916

November 28, 1916.

My dear Governor:

We had an interesting meeting of the directors this morning, Messrs. Locke and Starek being absent.

It was thought wise not to change the rates of discount, notwithstanding that Boston expects to make a change in their rate for short maturities. About our rates for acceptances there was considerable discussion. The announcement made by the Federal Reserve Board at Washington as to the foreign credits and the warning contained therein had a marked effect on many financial people this morning. We considered the many phases of the situation and it was thought advisable not to make any change in our acceptance rates but to continue purchasing bills as they are offered, assuming that they come in fairly normal volume; and that in case conditions should develop so they come in such volume that we would desire to limit our purchases, we should do so by raising the rate, and the board then adjourned subject to call of the officers at any time within the next two weeks, it being somewhat uncertain as to when we could have a meeting because of Mr. Jay's illness, the meeting of the Federal reserve agents next week and of the governors the following week. *before*

The general comment on the Federal Reserve Board's announcement has been that it was a proper function of their's to issue warnings but there seems to be in some circles a question whether they had not exceeded their function somewhat in going to the extent they did.

Mr. James Brown was in this morning and stated that he thought the warning as to the British Exchequer bills was timely and right, but somewhat questioned their covering as many matters as they did in this



announcement and applying same to private investors as well as banks. Mr. Woodward said that the general comment among his board was that for the Board to issue a warning was not unwise. end

The matter of the amount of purchases was left with the officers and the matter of making a differential, if advisable, to Mr. Woodward and myself. The immediate policy as to acceptances, approved by the board to-day, was to continue purchasing prime bills, even if we should accumulate \$10,000,000. or so more for the New York bank, but to be conservative as to an over-accumulation of renewal credits or others of which we might, in our judgment, be up to our limit.

It is rather a mixed situation just now but we shall endeavor to handle it conservatively and wisely. I am expecting now to talk with Mr. Warburg over the phone concerning this and other matters.

The board approved of raising our bid on United States 2% bonds to par, as we have only accumulated about \$50,000. at 99 7/8, the price determined last meeting. I hope we may get some at par.

The question of dividends was discussed informally, no action being taken, however. Apparently we shall have about \$300,000. of net profits by December 31st and I should judge that the board will decide in favor of making a 6% dividend for the period from November 15, 1914, to March 31, 1915, although if we should have increased profits, they might decide to pay up to July 1, 1915, although that would not leave so very much surplus.

I am enclosing an editorial from the New York World this morning, which possibly you will not see, referring to the action of the Board.

Mr. Jay has just called me up and talked with me, saying that he was somewhat better and would try and go to Washington for the meeting next Monday, Mrs. Jay accompanying him.

I enclose statement showing liability as acceptor and indorser on



11/28/16.

bills purchased up to date and would be glad if you would advise if you see among them any acceptances about which we should be cautious.

I hope to go to Detroit to-morrow (Wednesday) evening to spend Thanksgiving, but will return promptly, or at least to be on hand for work Monday morning, unless something unforeseen develops, and Mr. Peabody and Mr. Woodward will be here Friday in case I should be absent.

The board felt that it was wise for us to keep liquid by not buying warrants with more than thirty days maturity, and we shall try and keep in touch with the situation satisfactorily.

With kind regards and best wishes, I remain,

Sincerely yours,

*RT Truman*

Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP  
Encs.

*We bought some more City of N.Y  
Warrants December maturities today -  
We also bought about 3 1/2 million  
of Acceptances -  
Call money turned at 5% - touched 6%*

*Freeman*  
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FEDERAL RESERVE BANK  
OF NEW YORK

*B.A.H.*  
DEC 6 - 1916

November 29, 1916.

My dear Governor:

Mr. Jay is better to-day and Miss Holmes has been at his house for some dictation. We have been very sorry that he has been laid up this way and it has, of course, kept us busy with more detail at the bank.

Regarding the extension of our Collection Department to include State banks in this district, I would state that we have only had four or five State banks agree to come in as a result of our letter appealing to them. We are following up now with letters where they have not answered at all.

I discussed with Curtis to-day having Messrs. Hendricks and Higgins take a list of those who had not come in by, say, December 15th and go out to visit the banks in person, thinking that these two men might cover the ground within a few days, and then those which by the end of December we have not brought in, try and collect through express companies or in some other way. Have you any suggestions contrary to the above plan?

We had a number of City of New York warrants offered us yesterday, amounting to \$2,700,000., mostly December and January maturities, which we bought. We also purchased about \$4,000,000. of acceptances, retaining about \$1,500,000. for ourselves.

I am sending herewith a statement of the acceptances held under the various credits issued and shall be glad of any comment you may have to make on the quantity the New York bank is holding. You will see that we have about \$13,500,000. of these credits out of a total of acceptances of about \$35,000,000. now held by this bank. I have asked Mr. Kenzel to advise me from day to day as to the amount of renewal credits held, and we will

endeavor to keep them within a reasonable amount but from our discussion in the directors' meeting yesterday, I think the directors would not oppose our purchasing \$10,000,000. or more of acceptances but holding within \$50,000,000 for the New York bank.

I am enclosing sheets from the ticker as to bank acceptances, etc., as of to-day. We are having only a few acceptances offered to us to-day.

Your telegram was received about two hours too late for our meeting but was considered later by Messrs. Curtis, Sailer and Kenzel and myself when we were formulating this bank's policy as to acceptances after the discussion of the board in the morning.

I read extracts from your letters of November 18th and 22nd in re rates to the directors at their meeting yesterday; also read extracts from Governor Harding's speech, indicating the position of the Federal Reserve Board concerning same.

We are having some gold certificates sent in to us every day and are averaging nearly a half million dollars a week thus far, with only a small proportion of our banks already written to. I am sending more letters to-day and will follow the matter up from time to time until we have practically covered the district, at least banks which would be apt to have a reasonable amount to send.

I sent copies of my letter to member banks to different governors and Governor Rhoads thinks he will follow it by a similar one. Governor Miller writes that there is so much gold coin held by banks in his district that he does not want to stand the abrasion, although Richmond proposes to absorb that.

Your letter of November 25th is just at hand. Doctor Treman has had Mr. Jay in time and has read chapters of the riot act to him and has made,

I think, tactful suggestions to Mrs. Jay.



I will talk with Mr. Jefferson and Mr. Hendricks about their respective approaching meetings.

I am glad that you have some local doctors who are looking after your interests, as well as the professionals. It is a pleasure to note how many friends you have. To-day while lunching at the India House with Mr. Curtis, I heard one of the head waiters ask, with evidently much interest, how you were and how soon you would be back again, apparently having missed you.

I will talk over with Mr. Curtis the Governors' Conference, etc., as per your letter. He has been talking to-day with Governor Aiken about this being the psychological time to take up the Bank of England matter and he will write you more in detail.

With kindest regards, I remain,

Sincerely yours,

*R. H. Treman*

Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP  
Encs.

FEDERAL RESERVE BANK  
OF NEW YORK

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December 5, 1916.

*R.A.H.*  
DEC 11 1916

My dear Governor:

We certainly had quite a strenuous day yesterday, with call money touching 15%, and we purchased acceptances up to \$3,800,000. of which about \$1,900,000. were renewal credits. All of the acceptances, of course, will be divided up. For your information I am enclosing the amounts we have purchased in the last five days and the divisions.

Yesterday morning Kenzel suggested my calling the executive committee together to discuss raising the discount rate, but it did not seem wise to me to make any change, believing that with the disturbance over call money, our increasing the rate just now would "add fuel to the flame," so we maintained the same rate yesterday and to-day, and to-day have had fewer offerings and the situation has been quiet.

We purchased \$1,160,000. acceptances, of which \$583,000. were French credits, and we contracted for to-morrow for \$2,500,000. of commercial credits at regular rates, no renewal credits among them.

December 6, 1916.

Was interrupted, so am finishing the letter Wednesday morning.

I discussed with Mr. Alexander this morning whether the big banks would not rediscount at the present time, setting an example to some of the others and using the money to reduce the call money rate as while conditions might justify 4% to 6%, they to my mind do not justify 8% to 15%, and just now I think it unfortunate for a longer continuance of unusually high call money rates, fearing that the sentimental effect would be bad outside. I talked also with Messrs. Wiggin and Vanderlip and received some encouragement with the understanding that the matter would be considered and decided to-day.

We are continuing our acceptance rates but will probably think it wise to advance them when this flurry subsides, as apparently conditions justify our doing it, making the basis 3% for ninety day member bank acceptances.

You will be interested in knowing that since May 1915 we have had credit balances at the New York Clearing House to the extent of \$411,000,000. and a debit balance of \$20,148,000.

Mr. Frew was in yesterday, discussing some collection and transit matters, and I asked him why the member banks could not settle their clearing house balances by checks on the Federal reserve bank, saving the handling of so much currency back and forth to the clearing house. What would you think about this plan and is it worth pursuing?

I wrote Mr. Warburg about the Starek situation. He agreed to investigate but I have not received any information. Will advise when received.

I note that Mr. Masson has visited you and that he will call on us at the bank soon, and we shall have pleasure in doing what we can for him.

Mr. Miller, vice president of the Chase, was in about five o'clock last night and said that if two or three of the other banks would rediscount, the Chase would do so to-day, taking \$2,000,000. on their own note with collateral for fifteen days, and would sell us some acceptances besides.

I have an idea that the sudden calling in of the British Exchequer bill plan at the time when it was expected they would have returns coming in has made a temporary pinch at the corner and pending the arrival of the gold imports in transit, there will be a stiff demand, as there are very heavy obligations to meet just now.

I shall keep at the rediscount matter to as great an extent as would seem tactful and wise and hope for, but cannot count on, success.

When I was in Detroit on Friday last, I learned from Mr. Emory Clark, president of the Old Detroit-First National Bank. that there is con-



siderable hoarding of actual gold by the foreign element in Detroit, they bringing in checks and currency, asking for gold, and I assume that this is going on to quite an extent in other foreign element centers.

I will talk with Curtis, to-day if we can get the time, about the Bank of England matter, but am inclined to think at the moment that it would be wiser not to lay the entire matter before the governors and they to their directors, but to have Curtis prepare a brief for submission next week.

Mr. Woodward is in Chicago this week attending the Clydesdale Association meeting but returns Friday.

If conditions continue fairly normal, we will probably postpone our directors' meeting until next week after the governors' conference. Whether I shall go down will depend, I think, on whether Mr. Jay stands the week in Washington this week all right and can be back here for next week, as otherwise it would not seem advisable to have Curtis, Jay and myself away.

Dr. T. has given his advice freely to Mr. Jay but confesses that he is somewhat anxious about his not taking better care of himself and living within the limitations of his strength, which by this time he ought to be able to gauge somewhat correctly.

We had a very pleasant call this week from Mr. Ward Bannister of Denver, who stated he had seen you within a week or ten days, and it was next best to, although not nearly so good, as seeing your good face ourselves. We also had a call yesterday from Mr. Smith, vice president of the International Trust Company of Denver, who said you gave a very interesting talk at a club recently.

New York this fall has been more full of people than I have ever seen it before, and apparently the hotels have done the best business in their careers. Money, by some people who have made it easily, is being spent, not only freely but most lavishly and in many cases unwisely.

The last two days have been very strenuous ones but I think thus far we are handling the situation fairly well, at least Alexander, Woodward and the others seem to say so, but I try to keep in touch with those who know more about it than I do and will hope that we will make no grave blunders in these more crucial periods. It is fair to say that the bank misses you but there are always compensations, and I am sure that being away from the petty detail, you are able to give better and sounder consideration to the most important problems in which your experience and judgment is invaluable. It is a great joy to me to feel that the doctor reports you doing as well as could be expected, and it would seem that it is only for you to continue living this strict simple life and to take time enough to put yourself on your feet ready for active service.

Hendricks and Jefferson are away this week in Chicago and we are all busy but if we keep well, can carry the work all right.

In yours of December 2nd, you state that you approve of the board's action in not establishing a differential on acceptances as yet. I know that this has been your real opinion all the time, and having had some experience now, I fully agree that it is wiser not to have a differential, at least until it becomes much more necessary than it is at the present time.

Regarding the accumulation of gold, it is certainly most gratifying to note the cheerful cooperation of the member banks to which we have written, and while we may not be able to retain very much under present conditions, I believe that keeping the importance of accumulating gold in each bank's own reserves or with us before the member banks will repay the trouble we are taking, and it is interesting to note that Governor Van Zandt, without apparently knowing of our doing it, has within a week or two been sending out a circular along the same general lines to his members. We also may succeed in keeping out more of our Federal reserve notes in circulation, and if we

can substitute for them gold certificates, even to a fair amount, would it not be wise?

My best regards to you, my dear Governor.

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP  
Enc.



ACCEPTANCES PURCHASED

	<u>Ourselves</u>	<u>Others</u>	<u>Total</u>
Nov. 27	698,000	994,000	1,692,000
" 28	1,676,000	2,337,000	4,013,000
" 29	1,169,000	817,000	1,987,000
Dec. 1	1,275,000	1,849,000	3,124,000
" 4	<u>1,653,000</u>	<u>2,139,000</u>	<u>3,792,000</u>
	6,471,000	8,136,000	14,608,000

FEDERAL RESERVE BANK  
OF NEW YORK

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*R.A.H.*  
DEC 11 1916

PERSONAL

December 6, 1916.

My dear Governor:

Replying to your letter, in which you speak of your condition and the uncertainty as yet as to your ultimate plans, and in answer to your request that I give you my own "candid opinion" of what is best to do in the matter of the bank's organization, I will devote this letter to my views, which please construe as an expression of my own personal feelings.

FIRST: After six months' connection with the detail work of the bank and in view of the probable continued increase of the more detailed work caused by the development of the collection system, the increase in acceptance business, and the expected greater use of the bank's facilities by member banks, I believe that an officer, probably a deputy governor, doing about the work which I have been doing, will be a necessary addition to the organization, such officer doing much of the same work that I am now doing but leaving the consideration of the more important problems, which will continue to develop for some time yet, to the governor.

SECOND: Even if your health and strength will permit you to do it, I do not believe it would be wise for you to attempt again to carry the detail work mentioned above, as well as devoting so much of your energy and thought to the bigger problems, as you attempted to do before, resulting in your having to take a long rest. On the other hand, it would seem that with the assistance of a competent deputy governor, who would take the detail, you could continue as governor, devoting yourself to the more important questions and bigger problems, and acting as adviser and general director of the bank's policies; in short, keeping about the same position as Mr. Hepburn as chairman

does in the Chase, under which arrangement it would seem that you could have reasonably short hours at the bank and arrange each summer to take a long vacation (three months or so), which would enable you to live out doors and escape the heat and debilitation of a summer in New York, and then at such periods during the winter as seemed necessary, you could run off for a shorter time for rest and recuperation.

THIRD: I know of no one available who can bring to the solution of the very important questions, which will arise for a few years yet at least in the development of the Federal Reserve System, the ability, the experience, the acquaintance, and the knowledge required which you, Governor, can do, and I feel that you should not give any consideration whatever to your giving up acting as governor of the New York bank but should rather feel that you have a call to this great service for which you have been fitted through these years of varied training, and that you should consider it your life work to continue giving your thought and strength to the working out of these problems. In expressing this view of your signal fitness for this great work, I feel confident that I am voicing the sentiment of the directors and the officers of this bank also.

FOURTH: Now pardon a reference to my position in this matter. As you know, I did not seek this position and took it up very reluctantly because I felt my own limitations. It was thoroughly understood on my part that I was asked merely to fill in temporarily to meet the emergency caused by your unexpected illness, and one of the determining factors in leading me to attempt it was the statement you made that if I would take this position, you would go away contented, without anxiety, and satisfied with the arrangement, so I felt I would be contributing a small share towards your ultimate recovery, and if this could be accomplished, the question of any sacrifice on my part should not be considered.



I have been here now nearly six months and am willing to continue until spring or, if the doctor should determine later that you ought not to take up the work even in part here at the bank till next summer or early fall, I could probably arrange to stay such portion of that time as may be deemed advisable, but I should want it understood that that would be the extreme limit of my holding this position.

On the other hand, one cannot be a fair judge of his own work and effort and I, of course, do not hear the criticism of the bank's conduct at the present time. I realize that up to the present time the directors have felt it wise to let matters run along until such time as you could indicate with some degree of certainty as to the future, and they undoubtedly will be willing to continue this policy for such time as is necessary for the doctor to reach a conclusion as to your future.

Should you finally decide that a plan along the general outline above would be your desire, it would seem then advisable for the directors to select a suitable deputy governor, and I would hold myself in readiness to drop the work at once, or to continue for such time (not later than next autumn) as would seem best for your interests and those of the bank.

Please, therefore, consider my position as that of a "fit-in" for a longer or shorter time according to the way matters develop, and I want you especially to use me in just such a way as will best serve your interests, my dear Governor, as I am truly happy in being of service to you and to the bank.

I have, since the receipt of your letters, suggested to Mr. Woodward and also at a different time to Mr. Peabody that in my opinion they two, being the committee appointed, should have a conference and outline some general policy as to the future, and they have agreed to have this conference soon, probably within a week or two, after Mr. Woodward returns. As Mr. Woodward suggested that he would like to bring me into the conference, I shall be glad

to have you indicate to me your own opinion as to the best arrangement and your personal wishes in the matter, so that I may govern myself accordingly in any suggestions which I may be permitted to offer.

I apologize sincerely for this long letter, but you asked me to write candidly my opinion, and you have it now. Let me add that I have enjoyed my work and it has been a fine experience; I have been treated with very great consideration and kindness by my co-workers in the bank, and while I have had periods of anxiety and have realized the responsibility, so far as I can judge it has done me no harm physically, and, therefore, I summarize that I am at your service and the bank's to stop now or to go on for such period as may seem best.

With kindest regards, I am,

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP

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FEDERAL RESERVE BANK  
OF NEW YORK

*R.A.V.*  
DEC 12 1916

December 7, 1916.

My dear Governor:

I enclose herewith copy of the vote of the district reserve director and I think it quite interesting. Had there been any organized effort, I think probably Mr. Carlton might have run closer to Mr. Towne as Carlton has quite a following here in the city apparently.

You will be interested to know that yesterday we rediscounted for banks as follows:

National Bank of Commerce	\$3,255,000.
National City Bank	2,000,000.
Liberty National Bank	2,000,000.
Chase National Bank	1,000,000.
American Exchange National Bank	1,000,000.
Union National Bank, Newark, N. J.	300,000.
First National Bank, Utica, N. Y.	174,000.

I am enclosing two or three clippings from the morning papers in regard to the rediscounts for your information. I had talked previously with Messrs. Alexander, Wiggin, and Vanderlip, and this action yesterday was the result of their agreeing to do this as a starter, but each one basing their rediscounting on others also doing it at the same time.

We also took in about \$5,000,000. acceptances, of which \$2,500,000. were purchased from the Guaranty the day before, delivered yesterday. The Chase National also sold us \$1,500,000. acceptances.

Call money closed at 3%.

A letter from Mr. Warburg this morning says, "I am trying to watch Mr. Jay as closely as I can, but it is difficult to keep him from being right in the center of things. So far, however, it appears rather to agree with him."



You will be interested in knowing that a meeting of the Association of State Banks was held December 5th at Syracuse, N. Y., at which I understand a plan to inaugurate some kind of a clearing house for State banks was promulgated, in which plan Superintendent Richards and E. C. McDougal were the sponsors. As yet I have been unable to get further details.

I had a telephone from Mr. Jay this morning, stating that he was feeling fine and that the two or three days in Washington had brought improvement every day to him in his physical strength. He expected to go to Atlantic City to stay until Sunday afternoon and then come to New York to be here while Curtis and I are in Washington.

Aiken telephoned this morning that his committee probably would raise ~~the acceptance~~ <sup>short discount</sup> rates to-day, as he felt that conditions justified it and was ~~advised~~ <sup>to advance Acceptance Rates also</sup> by acceptance brokers in Boston, in whom he had much confidence. I told him that we felt here that we were justified in raising the acceptance rate up to 3% for ninety days' bankers' acceptances, usual differentials for short maturities, etc., but that we probably would not do it until our meeting next week, although most likely we will do so then.

We are all very much pleased to-day over the news from Mr. Jay, which he said he had telegraphed you, in re foreign bank relations, and Curtis is telephoning that we assume that you will begin the correspondence as soon as you feel justified in doing it and send us a copy for our files.

I assume that you know that the committee of twenty-five bankers of the American Bankers Association having in charge legislation which will kill the present Federal Reserve Collection System, is to meet next week at Chicago. They have been doing considerable corresponding and no doubt have worked up a sentiment among the smaller banks decidedly opposed to the present system, but I hardly believe that the Federal Reserve Board will permit adverse legislation if it can be prevented.

12/7/16.

I am very sorry to learn to-day that Governor Kains will not be at the Washington conference.

We had a debit balance against us at the clearing house this morning to the extent of about \$12,000,000. caused by the Commerce withdrawing \$5,000,000., Chase \$2,500,000., Corn Exchange \$3,500,000., and others smaller amounts.

The enclosed clipping from the American of yesterday perhaps will give some inkling of the inside workings in the Federal Reserve Board as between them and the Comptroller, leading to the announcement they made about two weeks ago.

I received to-day from Mr. E. C. McDougal an extract from his speech made at the meeting of the State banks on December 5th at Syracuse, in which he asks for my criticism of it. I enclose a copy herewith.

My best regards to you.

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP  
Encs.

MEMORANDUM TO MR. TREMAN

REGARDING PURCHASES OF BANKERS' ACCEPTANCES

BY THE FEDERAL RESERVE BANK OF NEW YORK

FOR ITSELF AND OTHER FEDERAL RESERVE BANKS.

DECEMBER 9, 1916.



According to the records of the Federal Reserve Bank of New York its holdings of "Bills Purchased" on the dates named were as follows; the first column showing the total amount of bills held and the second showing the amount of those bills which were drawn under renewal credits;

<u>Date</u>	<u>Totals</u>	<u>Renewals</u>
November 10th - - - - -	\$ 28,326,000	\$ 10,406,100
December 1st - - - - -	36,680,000	14,053,700
" 8th - - - - -	41,386,000	15,451,600

On the same dates the records of the Federal Reserve Bank of New York indicate that the system as a whole held "Bills Purchased" similarly provided as per statement of November 10, 1916, - - - - - 90,913,000

of which the records of the Federal Reserve Bank of New York show as drawn under renewal credits about 26% or - - - - - 23,559,000

On December 1st total bills purchased held by system as per weekly statement - - - - - \$106,379,000

Add estimated amount of bills bought by the Federal Reserve Bank of New York through the close of business December 1st and allotted to other Federal reserve banks but which were probably in transit and, therefore, not included in the above amount - - - - - 3,585,000 109,964,000

about 28 1/3% or - - - - - 31,249,000

On December 8th in the absence of published figures total amount of "Bills Purchased" held by the system, estimated from transactions that have been through the Federal Reserve Bank of New York - - - - - 120,000,000

of which the records of the Federal Reserve Bank of New York show as drawn under renewal credits about 28.4% or - - - - - 54,104,400

TOTAL PURCHASES OF BANKERS' ACCEPTANCES BY THE FEDERAL RESERVE BANK OF NEW YORK FOR ITSELF AND FOR ALLOTMENT TO OTHER FEDERAL RESERVE BANKS FROM DECEMBER 1 TO 8, 1916, INCLUSIVE, BY DATES AND CHARACTER, WERE AS FOLLOWS:

	<u>Totals</u>	<u>Renewals</u>
December 1st - - - - -	\$ 5,124,453	\$ 1,240,000
" 4th - - - - -	3,792,764	2,042,900
" 5th - - - - -	1,159,512	583,332
" 6th - - - - -	4,899,316	1,963,332
" 7th - - - - -	1,107,487	50,000
" 8th - - - - -	<u>1,398,000</u>	<u>313,332</u>
	<u>\$ 15,481,432</u>	<u>\$ 6,192,897</u>

Of the above amounts the Federal Reserve Bank of New York during the period from December 1st to December 8th retained for its own account totals of bills as follows:

December 1st - - - - -	\$ 1,275,565	\$ 288,443
" 4th - - - - -	1,652,885	844,166
" 5th - - - - -	696,814	508,333
" 6th - - - - -	2,262,311	875,000
" 7th - - - - -	588,012	25,000
" 8th - - - - -	<u>1,029,673</u>	<u>313,333</u>
	<u>\$ 7,505,260</u>	<u>\$ 2,851,275</u>

The call money rates in New York during that period are also indicated by dates:

	<u>Open-</u> <u>ing</u>	<u>Renewal</u>	<u>High</u>	<u>Low</u>	<u>Close</u>
December 1st	4 1/2	4 1/2	6	4 1/2	4 1/2
" 4th	6	6	15	6	10
" 5th	8 1/2	8 1/2	10	8 1/2	10
" 6th	7	7	7	3	3
" 7th	4 1/2	4 1/2	4 1/2	3 1/2	3 1/2
" 8th	4	4	4	3 3/4	4

Of the above volume of bills the Federal Reserve Bank of New York received and retained from the Federal Reserve Bank of Boston \$1,029,177 of which \$646,666 were issued under renewal credits.



The following is an itemized memorandum of the \$6,192,000 of bills drawn under renewal credits purchased by New York from December 1st to 8th inclusive:

		<u>Days</u>	<u>Rate</u>	<u>Total Renewals</u>	<u>Indorsed by Member Banks</u>
Dec. 1st	Bankers Trust Company	90	3	\$ 408,270	
	National Park Bank	90	2 3/4	166,666	
	American Ex. Nat. Bank	90	2 1/2	333,333	\$ 333,333
	Mechanics & Metals Nat. Bk.	90	2 1/2	333,333	333,333
Dec. 4th	Irving National Bank	87	2 7/8	683,000	
	Lazard Freres	35/51	2 3/4	540,000	
	Bankers Trust Company	87	3	408,000	
	Mechanics & Metals Nat. Bk.	28	2 1/2	333,000	
	J. P. Morgan & Co.	60	2 3/4	27,500	27,500
	Brown Bros. & Co.	60	2 3/4	50,000	50,000
Dec. 5th	*First Nat. Bk., Boston	86	3-1/8=2 7/8	333,333	
	Brown Brothers & Co.	62	2 3/4	100,000	
	Lazard Freres	62	2 7/8	100,000	
	" "	55	2 3/4	50,000	
Dec. 6th	J. P. Morgan & Co.	27	2 3/8	500,000	500,000
	National Park Bank	27	2 3/4	333,333	
	Chase National Bank	5/27	2 5/8	500,000	
	" " "	33/48	2 3/4	530,000	
	Lazard Freres	72	2 7/8	100,000	
Dec. 7th	Lazard Freres	60	2 3/4	50,000	
Dec. 8th	*First Nat. Bk., Boston	26	2 1/2	166,666	
	*Union Nat. Bk., "	26	2 1/2	146,666	
				<u>\$6,192,000</u>	<u>\$1,244,166</u>

\*Received from Federal Reserve Bank of Boston.

	<u>Totals</u>	<u>Renewals</u>
Of the total of bills bought by the Federal Reserve Bank of New York December 1st to December 8th inclusive, say	\$ 15,481,432	\$ 6,192,897
There were received from the F. R. Bank of Boston	<u>1,029,000</u>	<u>646,700</u>
Leaving totals purchased locally	\$ 14,452,000	\$ 5,546,000
Of which the F. R. Bank of New York retained	6,476,000	2,369,000
And allotted to other F. R. banks	7,976,000	3,177,000



Totals

Renewals

Of the total amount of NBills Purchased" held by the Federal Reserve Bank of New York at the close of business December 8, 1916, say - - - - -

\$ 41,386,090

Those drawn under renewal credits amount to - - - - -

\$ 15,451,650

Of which those indorsed by member banks other than the acceptors amount to - - - - -

5,930,500

The total, \$41,386,090, of bills purchased held by the Federal Reserve Bank of New York at close of business December 8th mature as follows:

Within 10	days	- - - - -
" 10/30	"	- - - - -
" 30/60	"	- - - - -
" 60/90	"	- - - - -

4,105,835
9,601,606
17,096,794
<u>10,581,854</u>

1,871,000
4,547,750
7,397,600
<u>1,635,300</u>

\$ 41,386,090

\$ 15,451,650

The net increase in bills bought for the system by the Federal Reserve Bank of New York during December is shown in the following table:

Bills

Bills Drawn Under Renewals

Amount bought - - - - -

\$ 15,481,432

\$ 6,192,897

Amount paid - - - - -

6,960,675

2,100,000

Increases - - - - -

\$ 8,520,757

\$ 4,092,897

Of the total renewal bills bought December 1st to 8th inclusive, there will mature from December 11th to January 2nd inclusive - - - - -

Renewals

\$ 1,980,000

And there will mature later in January - - - - -

1,121,666

A total maturing within 60 days of - - - - -

\$ 3,101,000

Of the total renewal bills held by the system according to the records of the Federal Reserve Bank of New York, say \$34,100,000, about one half mature within one month, say - - - - -

\$ 17,038,000

MATURITIES OF FRENCH AND RUSSIAN CREDIT RENEWAL BILLS.

Close of Business December 8, 1916.

	<u>New York</u>	<u>Other Fed. Res. Banks</u>	<u>Total</u>
December 11	\$ 1,181,000	\$ 1,838,500	\$ 3,019,500
18	690,000	1,013,500	1,703,500
26	1,010,750	997,250	2,008,000
27	440,000	475,000	915,000
28	200,000	350,000	550,000
January 2	2,697,000	4,045,000	6,742,000
4	200,000	150,000	350,000
8	818,000	932,000	1,750,000
9	550,000	450,000	1,000,000
11	-	250,000	250,000
15	946,600	397,000	1,343,600
22	800,000	1,150,000	1,950,000
23	430,000	610,000	1,040,000
24	800,000	275,000	1,075,000
29	680,000	610,000	1,290,000
February 1	1,395,500	1,179,500	2,575,000
5	977,500	997,500	1,976,000
9	183,000	241,700	424,700
13	244,000	6,000	250,000
15	25,000	150,000	175,000
16	50,000	350,000	400,000
26	300,000	350,000	650,000
March 1	<u>833,300</u>	<u>1,833,300</u>	<u>2,666,600</u>
	<u>\$15,451,650</u>	<u>\$18,652,750</u>	<u>\$34,104,400</u>

FRENCH AND RUSSIAN CREDIT RENEWAL BILLS.December 8, 1916.

<u>Credits</u>	<u>Ourselves</u>	<u>Other Fed. Res. Banks</u>	<u>Total</u>
Bonbright	\$ 5,194,900	\$ 5,774,100	\$10,968,000
Brown Bros.	4,662,700	5,947,700	10,610,400
Bes Marais Freres	905,000	1,775,000	2,680,000
De Neuflyze	400,000	1,000,000	1,400,000
Paris & Orleans R. R. Co.	2,400,000	1,500,000	3,900,000
Paris, Lyons & M. R. R. Co.	1,540,000	1,505,000	3,045,000
Banque Russo	<u>350,000</u>	<u>1,150,000</u>	<u>1,500,000</u>
	<u>\$15,452,600</u>	<u>\$18,651,800</u>	<u>\$ 34,104,400</u>

The total amount of renewal credits, a portion of the bills drawn under which the Federal Reserve Bank of New York has bought is about \$93,000,000.



D.A.K.

SHOREHAM HOTEL  
H STREET NORTHWEST AT FIFTEENTH  
Washington

Monday P.m.  
Dec 11-16

DEC 11 5 1916

R.S. Downs, Manager

My dear Governor - Greetings to you!

I wish you could be with us these days at Washington and this wish is shared in by all present - Miller and Van Zandt - are here but - Mr Calkins (who was in the New York Bank Friday and Saturday) who came on to represent San Francisco, was called home yesterday by the serious illness of Mr Kains and left at once - Mr McDougall says it is some heart trouble - we can but hope that it will prove less serious than is feared -

We met in the 'Board-room' at the Treasury this morning - Gov<sup>s</sup> Harding - DeLoach - Warburg Hamilton & Miller present = Secy Meadows & Compt<sup>r</sup> Williams were absent = Gov Harding spoke about an hour on the proposed amendments to the Fed Res Act which they were preparing & asked the considerations of the Governors on these questions - He spoke very well and then was followed by Mr Warburg on the "acceptance" question - (over)



The Governors then returned to the 'Shoreham'  
and began their meeting about 12<sup>30</sup> -  
Mr Walker of the 'Branch Bank' in New Orleans was  
present by agreement of the Governors on McCord's re-  
quest - He worked till 6<sup>30</sup> and then adjourned

Gov. Aiken - Rhoads + Sawyer have gone to Mr  
Warburg's house which I am sending you a few  
lines and will then retire as I have had a  
strenuous week - two nights out-of-town on the  
sleepers + I telephoned the bank today +  
found Henderson + Jefferson were back on the  
job but Henderson comes down here tonight  
so as to assist us in the working out-of-the-  
troubled problems which we are to discuss tomor-  
row - Mr Jay is also back at work but

I wish he could have had another week of  
rest at Atlantic City to build up his strength  
as his illness pulled him down - If I get  
back by Thursday I will talk with him again  
as he is not strong enough to stand the strain  
of times like last week - I expect we will have  
some financial tension again before the turn  
of the year unless conditions change

SHOREHAM HOTEL  
H STREET NORTHWEST AT FIFTEENTH  
Washington

R.S. Downs, Manager

3

Circulars will send you the details of the meetings and there is much to discuss - I felt encouraged today however at the Res Board meeting as it seemed that now they were really working out problems which will benefit the operations of the Banks and improve the Country's financial position - I hope you are giving thought to our 'Foreign Relations' now & that the progress towards satisfactory reciprocal relations will be speedy - Poor England seems to be going thro' internal troubles and the Allies are not making headway - Hope the curse of war will not hang over us much longer -  
Excuse this uninteresting letter but I am tired so am to bed without delay - Ever Sincerely  
R.S. Downs



D.A.W.

JAN 2

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SHOREHAM HOTEL  
15 H STREET NORTHWEST AT FIFTEENTH  
Washington

DEC 14-16

Thursday Am

R.S. Downs, Manager

My dear Governor:

We are approaching the end of the conference - have a final session with the FR Board today at 11 and hope to leave for NY at 3 P.M. - We had a telegram from Mr Calkins of San Francisco yesterday as follows "Mr Kins condition today - very encouraging - so I trust the worst is over -"

The Board is considering a number of important matters for legislation just now among them the "formula" presented by the FR Agents conference - as to fixing a definite reserve for the member banks to maintain in the FR banks & leaving them free as to the cash they maintain in their own vaults = Last night Arken and I dined with the Warburys - other guests being Dr Mrs Wells Mr Brooks of St Louis - Mrs Hueton - Mr & Mrs Phelps of Phila - Mr Jacob Schiff -



SHOREHAM HOTEL  
H STREET NORTHWEST AT FIFTEENTH  
Washington

R. S. DOWNS, Manager

2

Mrs. Janelle is here with Mr. J. and last night Gov. Hamilton entertained a number of the Governors at dinner - The business is so "Comprehensive and Extensive" that little time is given for the 'social side' -

We have some evidence of the feeling that the Board does not expect the Governor to give the Board much advice - not their function - but I expect the Governor will suggest some things for consideration at the meeting today - We all wish you but hope to have you with the Governor at their future meetings - Excuse haste - must now attend the morning session  
My affectionate regards  
R. S. Downs

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FEDERAL RESERVE BANK  
OF NEW YORK

*R.A. Jr.*

December 15, 1916.

JAN 10 1917

My dear Governor:

In answer to yours of December 6th as to the statement given to the press and your query as to the net figures of \$70,641.84, I am sending you statement of the items of which these figures are the balance, and would be glad of any suggestions from you as to how you would suggest our putting it out in our summarized statement.

I am sending you by mail the report furnished to the governors and to the Federal Reserve Board by Governor Seay, containing his recommendations as to making drafts on all Federal reserve banks immediately available at any one of them.

There is unquestionably much pressure being brought to carry this through, but I think a majority of the governors would not favor this but might favor a plan for permitting the issuing of a draft on one reserve bank so drawn as to the paid at some other one duly designated Federal reserve bank, if proper advices are sent. Possibly Governor Seay has sent you a copy and in that case kindly return this one, as we only have a few copies.

We are having a very heavy snow-storm, there being about eight inches on the level to-day.

My very best wishes to you and yours.

Sincerely yours,

*R.A. Jr.*

Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

12.1.16.  
FEDERAL RESERVE BANK  
OF NEW YORK

12.1.16.  
DEC 21 1916

December 15, 1916.

My dear Governor:

✓ The Governors' Conference adjourned yesterday after having a two hours' session with the Federal Reserve Board from 11 a. m. to 1:15, all present except Secretary McAdoo, Governor Harding (who was in Boston making a speech), and the Comptroller, who was there for a part of the time.

✓ As Mr. Curtis will undoubtedly give you a full detailed account of this, I am not attempting to go into details, simply sparing you.

✓ We were very glad to have a telegram stating that Mr. Kains was much better, and I think we had quite a good meeting.

I am somewhat anxious about a number of the proposed amendments, which have either been formulated or are being considered by the Board, as a few of them seem to me unsound. Probably you know more about these than I, but I am sending you a confidential list of those which have either been formulated and presented to the Congressional committee or are being considered. We discussed them at the Governors' Conference and approved of Nos. 1, 5, 7, 8, 9, 10, 11, and 12.

No. 2 is embryonic yet and Governor Seay is preparing some statistics in more detail than those he presented, in which he showed that the average vault reserve of country banks had been before the Reserve Act about 7 1/2% and during the year 1915, about 5 1/2%, including all vault reserve. At the meeting to-day Mr. Woodward and, I think, Mr. Locke, did not seem to take kindly to the idea of not having any vault reserves, at least in the central and other reserve cities.

Regarding No. 3, Governors Aiken, Van Zandt and I voted against the reduction in capital to 1 1/2%. We were advised later, at the conference



with the Federal Reserve Board, that they meant to give the option to the Federal Reserve Board upon application of any <sup>F.R.</sup> (member) bank for such reduction to have the power to grant it, which of course is somewhat different, as I had understood that it was to be obligatory on all banks, and I thought it a mistake and do still to reduce the amount below 3%, because having been paid in, it will have a sentimentally bad effect and there are other reasons why it did not appeal to me to reduce them. The question of earning dividends upon them is one that is righting itself speedily and does not impose so great a burden that so far as I can see we need be anxious about it, at least until we have given the matter a test for a period of a few years.

As to the proposed change in reserves, I think Mr. Woodward feels, and I share in it somewhat, that if we are to make the shift of the balance of the local reserves required to the Federal reserve bank in March instead of November, it is a question how wise it is to make other changes reducing the reserve and permitting of further credit expansion just now.

No. 4 was approved of in principle, I think, but the question of the detail in the way of surtax, etc., was left in abeyance.

No. 6, which proposed an associate membership for State banks and trust companies by keeping the same reserve with the Federal reserve bank as member banks and giving them no privilege as to rediscount unless their paper was indorsed by a national bank, did not seem to appeal to the governors.

I hope that in their desire to make headway they will not undertake to make so many changes, some of which are quite radical, as to evoke further widespread criticism in these times when things are becoming more and more tense.

I have your letters, but as I am hoping to run up to Ithaca to-night for to-morrow and Sunday, I shall have to defer writing more until Monday.

So far as the matters pertaining to myself are concerned, I want you to feel perfectly free in your mind as to this and that whatever arrangement seems best can be carried out. Just go on gaining, doing your full part and leaving the time for final decision until it comes naturally, and then we can begin to make more detailed plans. Meanwhile I hope that the amount of rediscounting at the bank will please you, as it does me.

With kind personal regards, I remain,

Sincerely yours,

*R. H. Treman*  
C.F.

Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP  
Enc.

- (1) Advancing date for final transfer of reserves.
- (2) To reduce reserves and provide that no reserves need be held except those in Federal reserve banks;
 

Say:	Country banks,	7%	demand	3%	time,
	Reserve city banks,	10%	"	3%	"
	Central reserve city banks,	13%	"	3%	"

Federal reserve banks to keep a normal reserve of about 70%.
- (3) Reducing paid in capital of Federal reserve banks to 1 1/2%.
- (4) Retirement of greenbacks and acceleration of retirement of national bank note currency.
- (5) Branch banks in cities.
- (6) Associate membership for non-member banks for clearing purposes.
- (7) Put 100% acceptance provision back in law.
- (8) Make 15 day notes legal collateral for Federal reserve note issues.
- (9) Clarify section 22, about compensation for officers, directors, employees, etc.
- (10) Amend section 5202 R. S. by adding a sixth exception to provide the bank's liability as an indorser upon acceptances.
- (11) Issue of gold certificates in denominations of \$100,000.
- (12) Issue of Federal reserve notes against gold.



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FEDERAL RESERVE BANK  
OF NEW YORK

*R.A.W.*

DEC 23 1916

December 18, 1916.

My dear Governor:

I made a flying trip to Ithaca for Saturday and Sunday returning this morning. Curtis and I read the "riot act" to Mr. Jay on Friday and we told him that he should absent himself for two weeks at least to build up his strength, as while he was here last week, during our absence, he does not look strong and he has some cough remaining with him. He disliked very much leaving the bank for a longer period, but I am glad that he started yesterday for the Hotel Bon Air, Augusta, Ga., and expects to be gone until about January 2nd.

To-day we are investigating names to suggest for a class C director for the vacancy which we understand may be created January 1st, and will probably suggest Messrs. Carleton, Outerbridge, Appleton and some others to Mr. Jay for him to pass on.

Curtis advises that he has given you a description of the Governors' Conference and the directors' meeting on Friday, so I will not repeat.

We had a very satisfactory interview on Friday with Mr. Dow of Jamestown, a very high-grade man, who told us that from now on his good institution would cooperate with this bank in collecting items on other points in Jamestown and in every other way.

I am glad that you were pleased over our rediscounts of the last ten days and those during the past week have been most gratifying to me because I felt when I made the effort the week before to secure the cooperation of some of the banks, that once the ice was broken, others would consider it a normal procedure and this has already been verified.

We had notice this morning of an assessment of \$28,000. for expenses connected with the printing of more Federal reserve notes, but I think it most desirable that we should keep up to our \$300,000,000. stock.

We expect to send out a notice on Thursday to our member banks that the directors have authorized the payment of the cumulative dividend on their stock up to March 31, 1915, and will notify each bank of the amount which they will receive, so that they will have the amount on Saturday to include in their earnings of 1916, if they so desire.

Messrs. Woodward and Thompson were appointed a committee on salaries and also to consider the question of a bonus this year on account of the high cost of living.

Mr. Hendricks is to-day in Buffalo seeing some of the State banks and I hope that he and Mr. Higgins will be able to visit some of the more important State banks, urging their cooperation in the collection system during the next month or so, but I am convinced that not later than February 1st we should put on the "thumb-screws" and collect all State bank items sent us either through the express companies or otherwise, and I hope you approve of this course.

The absence of Mr. Jay, of course, makes it difficult for me to inaugurate any of the constructive matters such as clearing house settlements, etc., but if we are all on the job after January 1st, I hope we can take them up one by one. Personally I had hoped to write an article on the domestic exchange problem and the collection of checks for the information of the public and especially of the business interests, so that they would better understand what the Federal Reserve Collection System is trying to accomplish and that the one for whom the service is performed is really the one who should pay the charge equitably, but it seems difficult under present conditions to secure any time for thought and preparation of such an article. Can you suggest anyone who would be well qualified to put the matter fairly and equitably before the people either in an address or paper?

I have this morning received a letter from M. Pallain dated November 29th, acknowledging the reception of my letter of November 2nd announcing our sending information relative to the organization of the Federal Reserve System and stating that he appreciated our courtesy in so doing. Evidently some of the material had not reached him, but I assume it is due to the delay in the mails.

I hope that we can do something in the way of advancing the arranging of the machinery not only with the Bank of England, but with the Bank of France. Curtis probably told you that Governor Aiken, in addressing the Federal Reserve Board at the last meeting with the governors, stated that it was the opinion of the governors that if such machinery was perfected looking to our having reciprocal relations with the Bank of England, that as soon as the machinery was ready we should immediately begin to operate, if only to a small extent, to indicate our good faith, and I hope that this view of the governors thus conveyed to the Board will have its good effect.

The matter of the change in acceptance rates was left to the executive committee with full power to change them any day prior to the meeting of the board, which will probably not be held until the first week in January.

I am in receipt of your favor of December 8th, enclosing a letter from M. Lewandowski, and we will try and give same our consideration to-day.

Just keep up your good work and be assured that we will do everything we can here to keep things going in the right direction.

I saw Comptroller Williams and Mrs. Williams at luncheon in Washington and he asked most kindly about you and said that he was glad to hear that you were improving, as you were so capable that you were very much needed, all of which goes to show that what we have been telling you as to the system and the country needing you is confirmed by this and many other similar remarks.



Now, after this, will you believe us?

With kind regards, I remain,

Sincerely yours,



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

RHT/CEP

178

FEDERAL RESERVE BANK  
OF NEW YORK

December 19, 1916.

*R.A.W.*

My dear Governor:

DEC 24 1916

In answer to your longhand letter of December 10th and your subsequent letter of December 11th, I would state that I had quite a long talk with Mr. Peabody in Washington concerning the organization of the bank after your return, stating to him that in my judgment it would not be wise for you to take up active work here again until next fall; furthermore, that I personally felt that it would be highly desirable to have a permanent deputy governor, who would continue to carry on the work which I am attempting to do at present. He said he would have a talk with Mr. Woodward on his return to New York, and I understand he is to lunch with Mr. Woodward to-day and they are to discuss the situation.

I have shown Mr. Woodward my letter to you and your answer, so that he is informed of the situation and I shall now leave the matter in their hands unless they consult me further.

I note your statement, "I am tremendously relieved to feel that I must not as yet be making plans but can go along for a while and just keep loafing," and I assume that both Messrs. Peabody and Woodward will feel that there is no immediate hurry to bring this about but that they will probably begin now to consider one who would be best fitted and available for the position of deputy governor, and they also understand that so far as I am concerned, assuming my health to remain good, I am willing to continue the work for any reasonable time to enable them to make satisfactory arrangements--all of which I hope is satisfactory to you and will relieve your mind from any anxiety and the feeling that you need give any further consideration at present

to this matter.

Regarding Mr. Starek, I was unable to secure any definite information at Washington, as aside from the fact that he is not and has not been for some time in the examiner's office, they seem to have no further information. From information I have picked up in the last day or two I am led to believe that there may be a vacancy in Class C directorship the first of January and to that end Mr. Jay is recommending a number of names for consideration.

We have suggested a number and Mr. Curtis has given considerable thought to it and I hope that some very wise and able man may be appointed. Personally I have thought that the nomination of Mr. Carleton or Mr. Outerbridge, they having been recommended by the bankers committee of the State Association, would be eminently proper but as the appointment emanates from Washington, I assume that we must sit still and await developments.

Answering yours of December 15th, I would state that Mr. Curtis tells me that he has already sent you a full report of the Washington conference, and we will write you more fully in regard to the foreign relations as soon as possible.

We are doing some rediscounting from day to day and I should not be surprised if we were called upon during this week and next for further rediscounts, because until another foreign loan, which is contemplated, shall be floated, which I assume will be right after the first of the year, some of the banks are liable to have pretty heavy demands upon them from the "Corner." It is quite certain that we shall have very large importations of gold and undoubtedly an effort will be made to create an easy money market in January, or whenever it is thought advisable to float this loan.

We are all awaiting with tremendous interest the speech of Lloyd George as indicating the peace policy of the Allies, all of which will have a bearing on the financial situation in the immediate future.



Benjamin Strong, Esq.

12/19/16

We had a telegram from Mr. Jay to-day, indicating that he had arrived at Augusta, Ga., and I earnestly hope that his stay there may restore him to robust health again. I have been somewhat disturbed over his apparent inability to recuperate quickly, and I hope this rest will bring him out all right.

We are having clear winter weather here, with plenty of snow in New York City.

I hope that you will continue to gain regularly and systematically and that you will avoid overdoing.

My best wishes to you.

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP

178

FEDERAL RESERVE BANK  
OF NEW YORK

*B.A.V.*  
JAN 2 1917

December 20, 1916.

My dear Governor:

We received notice this morning of the appointment by the Federal Reserve Board of Mr. Jay as a Class C. director and Federal Reserve Agent for the ensuing term.

Mr. George Blumenthal made a confidential statement to Mr. Peabody (in the absence of Mr. Jay) and myself about a month ago. I wrote you, I think, at the time. This statement was very satisfactory and we indicated to Mr. Kenzel that he could purchase up to one million dollars of their acceptances and I trust you approve of this action.

Later I suggested to Lazard Freres whether they would desire to have this statement submitted to Philadelphia, Boston or any of the other banks, and Mr. Blumenthal advised me that for the present they would prefer not to have the statement furnished the other banks, as he did not anticipate doing a very large acceptance business.

I assume that you will write me your opinion concerning the proposed amendments to the Federal Reserve Act now being considered by Congress or which are soon to be presented to them. I have talked with Mr. Woodward and also Mr. Alexander, hoping that we might have a conference with a few of the bankers here and it is possible that we may get together next Wednesday or Thursday, at which time I hope to secure their opinions as to the various amendments proposed, feeling that the Reserve Board ought to have on such important matters the advice of practical bankers.

12/20/16.

Yesterday I lunched with M. Masson, also the Secretary of the French Legation and Mr. Curtis' friend, (the representative of the French government) and had a very pleasant conversation with them, in which they expressed, rather guardedly of course, their opinion of the pronouncement of the Federal Reserve Board in re British Exchequer bills.

The stock market is in a somewhat nervous condition at present and it would seem as though we might have some erratic movements, both in call money and on the exchange, before the end of the year, but I hope nothing serious.

I understand from you that Mrs. McLaren will return here for the Christmas holidays, and I assume that she will call upon us.

Messrs. Peabody and Thompson and I expect to have a meeting tomorrow to discuss any changes in salaries which may be recommended by the cashier and also to consider the question of an emergency salary or bonus based on the higher cost of living.

I enclose herewith information as to our acceptances up to to-day.

At a meeting of the committee on admission of State banks yesterday, I asked Mr. Curtis to reach Mr. Starek, if possible, and he surprised us by coming into the meeting yesterday afternoon and assisting in passing upon the admission of the Montclair State Bank, whose application we forwarded to Washington last night.

With kind personal regards and my very best wishes to you, I remain,

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.



# Correspondence

FEDERAL RESERVE  
BANK OF NEW YORK

Date Dec. 21, 1916. 118

Mr. Treman

Subject: Governor Strong's Letters of

From E. R. Kenzel.

November 20th and December 6th.

## LETTER - NOVEMBER 20th

### BANK OF CHARLESTON

Two and three quarters was a low rate for this paper but at the time of purchase was 1/4 of 1% above the best rates obtainable for members located in New York.

### MULLER, SCHALL & CO.

Mr. Strong's comments are noted and his suggestion will be followed out.

### KLINGSMITH & TELFAIR

This question was considered as to Klingsmith about the time we first purchased bills. Mr. Curtis has the subject before him for further investigation as to the law.

## LETTER - DECEMBER 6th

### LEE, HIGGINSON & CO.

and other private bankers that have not filed statements with us. All our purchases are indorsed by member banks. These Boston names are mostly indorsed by the First National Bank of Boston and are received by us from the Federal Reserve Bank of Boston.

### GUARANTY TRUST CO.

This line reached its apex when we were purchasing freely in the early days of the December flurry. About one

# Office Correspondence

FEDERAL RESERVE  
BANK OF NEW YORK

Date Dec. 21, 1916.

To Mr. Treman  
From H. R. Kenzel.

Subject: Governor Strong's Letters of  
November 20th and December 6th.

-2-

million of it was indorsed by member banks and it is expected that the line will decrease.

## LADENBURG, THALMANN & COMPANY

All bear bank indorsements.

## LAZARD FRERES

All bills purchased bore bank indorsements until their statement was filed.

## WHITNEY CENTRAL NATIONAL BANK NEW ORLEANS

These bills were all taken at least one quarter per cent. above rates for New York members and about \$25,000. of them bear banking indorsements.

## THIRD NATIONAL BANK OF SPRINGFIELD AND OTHER BANKS IN NEW ENGLAND OUT- SIDE OF BOSTON

These are institutions that are taking the overflow of acceptance business from the Boston banks which are getting more business than they can accommodate themselves. Their lines are principally credits for the imports from South America but recently have been largely increased by domestic credits on cotton and wool in warehouse. This class of bills comes to us from the Federal Reserve Bank of Boston and all bear the indorsement of some of the large Boston banks.

# Finance Correspondence

FEDERAL RESERVE  
BANK OF NEW YORK

Date Dec. 21, 1916.

To Mr. Treman  
From E. R. Kenzel

Subject: Governor Strong's Letters of  
November 20th and December 6th.

-3-

All merchants such as Balfour, Williamson & Company and Tata; are all import trade bills and well indorsed - some cases by the Yokohama Specie Bank, Hongkong & Shanghai Banking Corporation, Chartered Bank of India and International Banking Corporation, and some by member banks, and quite a number of them by both the foreign and member banks

## SOUTH-AMERICAN BANKS

The liability to us as indorser of these names arises from their purchases in South America of prime bankers' bills which they indorse. Our purchases of bills indorsed by the South American banks have been on the credit of the acceptors or American indorsers, or both. The larger liabilities cover a diversity of acceptors. The principal acceptors who do this South American business are the Guaranty Trust Company, National City Bank, National Park Bank, National Bank of Commerce, Irving National Bank, Bank of New York, Mechanics & Metals National Bank, First National Bank of Boston, Philadelphia National Bank, the Bankers Trust Company, private bankers and to a smaller extent the Equitable Trust Company which, however, is developing its business in South America.

ERK/IWB.



MEMORANDUM FOR MR. TREMAN AS TO THE VOLUME OF BILLS HELD  
AND THE PROPORTION UNDER RENEWAL CREDITS, DECEMBER 20, 1916.

According to our records at the close of business December 8, 1916, the amount of such bills held by the Federal Reserve Bank of New York was ----- \$15,451,650.  
and by other Federal reserve banks----- 18,652,750.  
\$34,104,400.  
=====

At the close of business December 19, 1916, these amounts had been reduced to:

For the Federal Reserve Bank of New York --- \$13,931,122.  
Other Federal reserve banks ----- 16,973,041.  
\$30,924,163.  
=====

There will mature during December:

Federal Reserve Bank of New York ----- \$ 1,650,750.  
Other Federal reserve banks----- 1,822,250.  
\$ 3,473,000.  
=====

On January 2, 1917, maturities will be:

Federal Reserve Bank of New York ----- \$ 2,697,000.  
Other Federal reserve banks----- 4,045,000.  
\$ 6,742,000.  
=====

ERK/JGC

178

FEDERAL RESERVE BANK  
OF NEW YORK

D. A. W.  
JAN 2 1917

December 21, 1916.

My dear Governor:

I have received your favor enclosing a letter received by you from M. Lewandowski and copy of your answer to same. I am writing to Superintendent Richards to-day, asking for certain information and then will, with Mr. Curtis' aid, make up a memorandum of the other information he desires and forward it as early as possible. Certainly we should give him all the information which he seeks in regard to the opening of a branch bank, and personally the establishment of branches of the most important European banks here should, I should think, facilitate an exchange of business between the countries.

You will be interested in knowing that our vault work is progressing very rapidly and we are assured that if we desire, we can move in and occupy same on December 31st. We discussed the matter this morning, however, and will await further developments before making final decision as to the date of transfer, but will probably be able to move by the 7th or 8th of January.

We are sending out to our member banks to-day the letters as to our dividends and will announce same this afternoon for the morning papers, as Philadelphia did yesterday after the meeting of their directors, they paying up to July 1, 1915, whereas we pay to April 1st only.

Just at the moment the market is going through the throes of disturbance caused by the President's letter and Lansing's subsequent statement that we were being brought to the verge of war by the intolerable acts of the belligerents on both sides. It would seem most desirable that peace should be restored as quickly as possible, so far as the world's condition is concerned, but I am not prepared to believe yet that they are ready for

Answering your letter of December 13th in regard to our foreign banking relations, I understand from Mr. Curtis that he has written longhand his personal impressions of the situation. Personally I agree that so far as we can judge Governor Harding and some other members of the Board agree with the "governors" that we should not proceed to develop the machinery for such relations unless we are prepared to do some business under the machinery, and I cannot but feel that matters are tending strongly in this direction. Possibly the events of this week, i. e., Lloyd George's speech and peace suggestions, will all have a bearing and it would seem ought to hasten our action in this matter, so that we may perfect those arrangements at the earliest possible moment. I assume that you are keeping in touch with Washington direct but if there is anything we can do in New York to hasten the matter by suggestion, kindly advise us.

I understand that Mr. Jay has changed his address from the Hotel Bon Air, which I assume may not be open, to the Palmetto Inn, Aiken, S.C.

At this point I was interrupted, after which I received a confidential letter from Mr. Warburg, stating that the foreign agency matter had been disposed of in a manner which he thinks "will be pleasing" to you and that he is writing you accordingly confidentially to give you an advance notice, all of which is especially gratifying in view of the disturbed condition of affairs just now by the peace talk.

I invited M. Masson to drop into the bank occasionally while he is here and assume that he will feel at perfect liberty to do so now.

Mr. Warburg writes me that he is going to Pinehurst for a few days' rest but will be back at Washington next Tuesday or Wednesday again.

I shall be glad to have your views as to any changes in salaries of the junior officers, who are receiving as follows:



Mr. Sailer	\$10,000. (now)
Mr. Hendricks	6,000. ↓
Mr. Cann	6,000. ↗
Mr. Kenzel	4,800.
Mr. Higgins	5,000. (since about October)
Mr. Jefferson	4,200.

We will pass upon them at the meeting to be held about January 4th and I should be glad to have an expression from you but think that Mr. Sailer should be raised to the figure originally discussed.

I have asked Mr. Sailer to go over the list of the others for such recommendations as he deems best, he to report to me early next week.

I have just come from a meeting with Messrs. Peabody and Thompson and we have tentatively agreed on the recommendation of an emergency salary or bonus to be paid as of January 1st to apply to employees of 1916.

The stock market is having a big turmoil to-day, over two million shares having been sold up to about one o'clock.

May I ask whether you are not writing too many letters and devoting yourself too closely to business. Are you not worrying and fretting too much and do you not think that Doctor Treman had better prescribe more rest, more outdoor life, more interest in outdoor activities, such as motoring, etc., and less application to office work. I send this prescription along with no fee being asked at present, but shall hope that subsequent events will show that you have taken the medicine.

With kind regards, I remain,

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

178

FEDERAL RESERVE BANK  
OF NEW YORK

December 22, 1916.

My dear Governor:

As there has been some mix-up in regard to the delivery of Special Instructions of the Federal Reserve Board dated September 15th and known as Special Instructions No. 2 of 1916, I am sending you herewith a copy.

I also give to you greatly belated information in answer to yours of November 20th and December 6th, which I asked Mr. Kenzel about three weeks ago to furnish, but we have been short-handed because of absences for various reasons; hence the delay.

Mr. Woodward has invited Messrs. Alexander, Vanderlip, Hine, McGarrah, Ferry, Peabody, Curtis and myself to dine with him next Wednesday night, and he has also invited Messrs. Warburg and Delano to come over, giving these gentlemen an opportunity to talk with members of the Reserve Board as to the amendments now being considered, etc. Would it not be well at that time to bring up the question of the New York Clearing House discretionary list and see if it is possible to bring about closer cooperation. There is no doubt of the desire on the part of banks in other districts to draw as much from New York as possible, and they are anticipating that with the transfer of the reserves from correspondent banks to the reserve bank, the other districts will gain. It would seem to me that the clearing house banks and we should cooperate in such way as is proper in looking after the interests of this district.

As yet I have not been informed in detail as to the foreign arrangements but assume that before this letter reaches you, you will be advised and

that we shall later hear from you as to the developments.

George Allen of the American Bankers Association, who is now secretary of the new State Bank Section of the American Bankers Association, was in to-day showing me a crude draft of a circular he is issuing to all State banks in the United States, outlining the present basis on which State banks can come into the Federal Reserve System and asking a number of questions, such as whether they believe it is for the interests of State banks to be connected with the Reserve System, what changes should be made in the present law which would enable them to do so, etc. He stated in the conversation that from his knowledge, based on interviews all over the country, he was certain that there was better feeling towards the Reserve Board, (and I interpret it the Reserve System,) than was apparent on the surface, and that there were many banks, especially in the west, about ready to join the system.

Personally I do not take very kindly to the plan of associate membership, giving the State banks privileges without perhaps properly safeguarding the situation. I should prefer that the larger State banks at least should come in under regular membership, like the Corn Exchange, and then if any associate membership is permitted, that it be on the part of the smaller banks.

Mr. Peabody has gone to Saratoga to-day to remain next week. Curtis went this noon to Boston and I hope to get away to-night to spend Christmas in Ithaca.

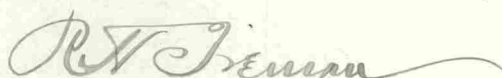
Referring to yours of December 13th, with which you enclosed an extra copy in case I desired to send same to Mr. Warburg, I would state that I did not think it wise to forward the letter and have held it, and the subsequent events have shown that it was better that it did not go forward, as I hope now, the decision having been made, that matters will develop quickly, unless the President's peace letter shall arouse more or less bitter feeling



12/22/16.

With this goes, my dear Governor, the heartiest greetings and very best wishes to you and yours for a happy Christmas season. Certainly for many of us the fact that you are gaining in strength and are able to cooperate so influentially in the further development of the system is one of the things for which we can be most grateful.

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP

D.A.W.

EQUITABLE BUILDING  
NEW YORK

Dec 24-16

Friday 5<sup>30</sup> P.M. 178

JAN 2  
My dear Governor -

At the meeting yesterday of Messrs Peabody, Thompson & myself - we discussed the salaries of the "Junior Officers" and we were agreed I think on moving Sailer from 10<sup>00</sup> to 12<sup>00</sup> = also Jefferson to \$5000 - same as Higgins - but what was wise as to Curtis - Hendricks - Carr & Keusel was not so clear - Mr P. thinks that Curtis is liable to be offered a more lucrative position - that he is a strong-wire counsellor who is growing & and that we should consider paying him \$5000 per year - Should Hendricks & Carr be increased equally or not? Should their salaries, if increased, be made \$7500 or \$8000, or one 7<sup>00</sup> & the other 8<sup>00</sup> - Should Keusel (who is growing & doing well) be made \$6000 or what?

As to "Emergency-Salary" being paid because of the high cost of living (15 to 25% increase during the year) the Com. were inclined to recommend (aside from any advances in salary to be made later at the January meeting) that there be

paid 10% on all salaries or wages actually  
 paid in 1916 under the \$1200-per annum class  
 That 7 1/2% be paid on salaries \$1225 to 3000-  
 and that 5% be paid to ~~the~~ junior officers  
 + Counsel (Curtis) = These represent the sum-  
 mary of our Exchange of Views -

I have written Mr Jay asking his opinion  
 and have asked Mr Fuller to submit rec-  
 ommendations as to salaries advancements  
 in the force (\$3000 class & lower) for sub-  
 mission to the Com. the latter part of  
 next week or before our meeting of  
 Directors (Jan 4) = Will you kindly  
 advise as to your views on these matters

The market was very strong  
 today after the terrific onslaught of  
 yesterday and recovered from two to  
 six or 8 points = Secy Lansing's  
 "break" was most unfortunate in very  
 many ways - don't you think?



EQUITABLE BUILDING  
NEW YORK

3

My thoughts are with you these days  
and I pray that you may continue to  
gain - that you may have faith  
and courage - that you may have  
peace of mind and that you may  
be spared to continue for a long  
period the great service to the Country  
which you have been rendering in the  
past and are to render in the future -  
Heaven's blessings upon you and yours.  
Sincerely and affec.<sup>y</sup> Truly  
R. H. Truman

FEDERAL RESERVE BANK  
OF NEW YORK

*D.A. Jr.*  
JAN 2 1917

178  
[Carbon copy in  
C. 261 Folder  
agencia secret]

December 26, 1916.

My dear Governor:

I spent Saturday, Sunday and Monday in Ithaca, reaching New York this morning, and at our junior officers' meeting was greatly surprised by having my attention called to an article in the New York Times headed "Federal Reserve Bank has London Agent," and then later seeing the headlines in the New York American, clipping from which I enclose.

If you could have heard our comments, you would have understood what a "shock" this gave us all who were conversant with the efforts that have been made to protect in every way the confidence and secrecy which you had at different times emphasized to protect the situation.

We put in a call for Governor Harding, Mr. Warburg being at Pinehurst for this week and Mr. Delano having been away last week although he is in Washington to-day. While waiting for the call, Mr. Jay's telegram was received, stating that he had forwarded on Saturday the official authorization of the negotiations with the Bank of England, the same having come to him by mail forwarded from the New York bank, it having been marked "Confidential." He added that he had telegraphed you what he had seen in the papers.

In a short time I talked with Governor Harding and later Mr. Delano called up Mr. Curtis, memoranda of our conversation being transmitted to you herewith.

We telegraphed you, as per copy which Mr. Curtis will send you, and also had a talk with Mr. De Neuflyze, a memorandum of the conversation with whom we will also forward, and are awaiting such instructions as you think best to send to us. We discussed the same with Mr. Woodward at luncheon to-

day and the general impression, pending further light on the situation from Washington, is that this act on their part was a direct violation of confidence and may seriously jeopardize your negotiations with the Bank of England.

I hope that we straightened out Mr. De Neuflyze, as we told him in substance that this authorization of the Board would have no adverse effect upon the negotiations now being carried on informally between Governor Strong and M. Pallain and that we were awaiting a reply to Governor Strong's last letter to M. Pallain before proceeding further.

So far as we can learn at the moment, matters arose while most of the members at Washington were away and Governor Harding assumed the responsibility of letting this go out, but this surmise on our part may be changed later by additional facts.

We have disliked very much to trouble you with this matter when you are trying to have a vacation with your boys, but there seems to be no alternative, inasmuch as you were the one who succeeded in bringing about in so successful a manner the preliminary agreement, and we assume that you will want to communicate by cable with the governors of the Bank of England, and we shall be ready to carry out any further instructions you are pleased to give us.

Governors Aiken and Rhoads were very much disturbed by this action, as I assume the other governors are also.

We are to have a meeting of our executive committee to-morrow at 3 p. m. and expect to have every director of the bank present, whom we can reach, to determine what further action we shall take. Personally it seems to me that whoever may be acting governor of this bank is entitled to have sent to him directly, and not through the Federal reserve agent, communications from the Board affecting or bearing upon the operation of the bank, and where instructions are sent to the chairman or Federal reserve agent as



a matter of procedure, unless they be confidential communications for the Federal reserve agent alone, they should be duplicated direct to the governor, thus preventing occurrences like to-day, when this bank had no knowledge of the official action of the Board other than Mr. Warburg's confidential statement that the Board had acted in a way which he thought you would approve.

Now, my dear Governor, we have done the sputtering and expect to do whatever further protesting is necessary, but I just hope that you will rise to the occasion and pull the chestnut out of the fire and if possible, enable us, for the good of the country at large, to perfect the necessary arrangements with the Bank of England. Do not let the bungling way in which this has been handled, nor the breach of confidence, affect your trying to save the day, if it is possible. Certainly we want to assist in every way possible, whatever may be our personal feelings of what the Board at Washington has or has not done.

We have taken the position to-day that we had no comment to make on the facts as sent out from Washington, but I have learned from some of the reporters that the fact that negotiations had been authorized had been most favorably commented upon in the Street in various quarters, as being a move which would be of great benefit to the country at large, if it can be carried through.

We had a call to-day from Mr. R. Y. Hebden, agent of the Bank of Montreal, who stated that he understood we had completed reciprocal banking arrangements with the Bank of England and he thought that his bank would be very glad to enter into some similar arrangement to handle Canadian business.

We also had a call from M. Alexander Bungener, who brought a letter from M. Pallain to you, introducing him as a director of the Banque Nationale de Credit. He is here making a study of conditions with special reference to handling cotton bills.

It is a perfect shame to have you disturbed at this time by this unpleasant upset, but I have the utmost confidence in your taking the broad unselfish view of this situation and directing the handling of it in a way which, I hope, will be most satisfactory in its results.

Woodward had asked Messrs. Warburg and Delano to come over for dinner to-morrow night but Mr. Warburg has a cold and is in Pinehurst for the week and Mr. Delano will not be able to come over until Friday night, when he spends Friday and Saturday with Mr. Charles Norton. We will probably have the dinner at Mr. Woodward's house, however, and I hope that we may have an informal exchange of views on some of the amendments and the clearing house proposition.

With kind regards, I remain,

Sincerely yours,

*R. V. Freeman*

Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP  
Encs.

*6:30 P.M. Since dictating this  
we have talked with you and it has  
been a great gratification to hear your  
voice - Mr Curtis will forward "memos"  
tomorrow - This has been our busy "Wash-day"  
Friday's + best wishes -*



POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT.

RECEIVED AT  
MAIN OFFICE, DENVER  
927 St., Ernest & Cranmer Bldg  
TELEPHONE MAIN 4500

TELEGRAM

DELIVERY NO. 465

The Postal Telegraph-Cable Company (Incorporated) transmits and delivers this message subject to the terms and conditions printed on the back of this blank.

16L-21168

B46 CH MG

184

DESIGN PATENT NO. 40529

615PM

CB New York NY

Dec 26 1916

178  
+23

Benjamin Strong

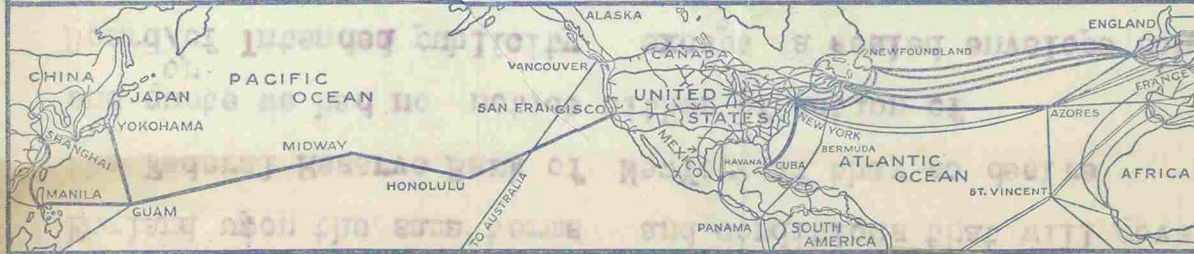
4100 Montview Blvd, Denver Colo

Newspaper headlines carry announcement by reserve board as follows  
 quote "the Board has authorized the Federal Reserve Bank of New York  
 to appoint as one of its correspondents and agents the  
 Bank of England of London, England, here follows quotation from  
 section fourteen continue quote in granting the authority to  
 establish the agency the board has authorized the Federal Reserve  
 Bank of New York to maintain accounts either for or with the  
 Bank of England so that operations, both in England and  
 in the United States are possible. Other Federal Reserve Banks  
 may participate in the agency relationship with the Bank of  
 England upon the same terms and conditions that will govern  
 the Federal Reserve Bank of New York if they so desire "  
 end quote, we had no notice either of action of  
 Board<sup>or</sup> of Intended publicity except a sealed envelope containing  
 copy of boards vote which was forwarded to Jay Friday  
 I telephoned Harding our astonishment today he replied that reasons  
 had developed suddenly make immediate publication expedient stop  
 Have failed to reach you by telephone assume you will communicate  
 with England or advise us

R H Treman



# POSTAL TELEGRAPH-COMMERCIAL CABLES



OPERATOR'S NOTATIONS,  
TIME SENT, ETC.

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

## THE POSTAL TELEGRAPH-CABLE COMPANY (INCORPORATED)

### TRANSMITS AND DELIVERS THE WITHIN TELEGRAM SUBJECT TO THE FOLLOWING TERMS AND CONDITIONS:

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

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

CHARLES C. ADAMS, VICE-PRESIDENT.      CLARENCE H. MACKAY, PRESIDENT.      EDWARD REYNOLDS, VICE-PRES. AND GENERAL MANAGER.      CHARLES P. BRUCH, VICE-PRESIDENT.

## THE FASTEST TELEGRAPH SERVICE IN THE WORLD

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

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

# WESTERN UNION



# TELEGRAM

NEWCOMB CARLTON, PRESIDENT

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

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

RECEIVED AT 20 D G 183 TELEPHONED TO Strong  
 NEW YORK NY-121 PM DEC 26 BY W. G. Green TIME 3:09 P  
 BENJAMIN STRONG, 4100 Mont View Blvd  
 CAMP HEWES, KIRKLAND, ESTES PARK.

NEWSPAPER HEADLINES CARRY ANNOUNCEMENT BY RESERVE BOARD AS FOLLOWS —  
 QUOTE—BOARD HAS AUTHORIZED THE FEDERAL RESERVE BANK OF NEWYORK TO  
 APPOINT AS ONE OF ITS CORRESPONDENTS AND AGENTS, THE BANK  
 OF ENGLAND OF LONDON ENGLAND — HERE FOLLOWS QUOTATION FROM SECTION  
 FOURTEEN, CONTINUE, QUOTE—IN GRANTING THE AUTHORITY TO ESTABLISH  
 THE AGENCY THE BOARD HAS AUTHORIZED THE FEDERAL RESERVE BANK OF  
 NEW YORK TO MAINTAIN ACCOUNTS, EITHER FOR, OR WITH, THE BANK  
 OF ENGLAND, SO THAT OPERATIONS BOTH IN ENGLAND AND IN  
 THE UNITED STATES ARE POSSIBLE OTHER FEDERAL RESERVE BANKS MAY  
 PARTICIPATE IN THE AGENCY RELATIONSHIP WITH THE BANK OF ENGLAND UPON  
 THE SAME TERMS AND CONDITIONS THAT WILL GOVERN THE FEDERAL  
 RESERVE BANK OF NEWYORK IF THEY SO DESIRE END QUOTE  
 WE HAD NO NOTICE EITHER OF ACTION OF BOARD OR  
 OF INTENDED PUBLICITY EXCEPT A SEALED ENVELOPE CONTAINING COPY OF  
 BOARDS VOTE WHICH WAS FORWARDED TO JAY FRIDAY I TELEPHONED  
 HARDING OUR ASTONISHMENT TODAY HE REPLIED THAT REASONS HAD DEVELOPED  
 SUDDENLY MAKING IMMEDIATE PUBLICATION EXPEDIENT STOP HAVE FAILED TO  
 REACH YOU BY TELEPHONE ASSUME YOU WILL COMMUNICATE WITH ENGLAND  
 OR ADVISE US.

R H TREMEN.  
 303 AM.



FEDERAL RESERVE BANK  
OF NEW YORK

178  
Curtis copy in  
Case of Foy  
Agency Report

December 27, 1916.

*R.A.V.*

JAN 2 1917

[see Mr. Ledandowski  
file 1]

My dear Governor:

*Jaxer*

I am enclosing herewith a copy of a letter I am writing to M. Maurice Ledandowski, and beg to advise you that the information is being forwarded to him to-day. I thought you might like a copy of the letter sent for your own files and shall be glad of any criticism, in case the matter was not handled as you desired.

I beg to advise you that Mr. Jay wrote, which letter was received this morning, enclosing a copy of the resolution of the Federal Reserve Board, stating that the same had been received by him marked "Confidential;" hence we at New York were justified in forwarding it notwithstanding Dr. Willis' view.

I also enclose for your information copy of a letter received from Governor Harding and would state that I shall bring the letter before the executive committee at their meeting this afternoon for their consideration. Personally I am convinced that no self-respecting man would care to continue as governor or deputy governor of the Federal Reserve Bank of New York unless important communications, such as the foreign bank matter, are sent by the Federal Reserve Board direct to him and not to the Federal reserve agent or through any other channel, and I expect to write Governor Harding to this effect as soon as I can find time.

We received your telegram this morning and Mr. Curtis has already had an interview with Mr. M. and he has cabled and hopes to straighten out the situation and put us in the proper light, and we will keep you advised by wire as events develop.



12/27/16.

I imagine that we shall have an interchange of views between the guests of Mr. Woodward to-night at dinner, and I hope that we shall be able to enlist their sympathy more heartily in the development of certain matters affecting the New York Federal reserve bank.

With kind regards, I remain,

Sincerely yours,

*RHT*

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

*Mrs McK. has just called &  
I am so glad to hear such good  
reports from and of you -  
Keep up the good work*

RHT/CEP  
Encs.

FEDERAL RESERVE BANK  
OF NEW YORK

178  
[Federal Reserve Bank  
in C.A.B. Files  
Agencies + Acct]

December 28, 1916.

My dear Governor:

We have just received an answer in re foreign banking relations through the channels you suggested, as follows:

"The governor surmised exactly what had happened and was in no way put out by the premature announcement, nor does he consider that it need interfere with the continuation of discussion as to terms eventually to be submitted to the respective boards, but he thinks it would now be best neither to contradict nor confirm or explain it but to let the matter rest for the present."

We will undoubtedly telegraph or phone you the contents but I am merely sending this on to confirm it, and assume that you will make further suggestions as to our action as you may decide.

Mr. Towne formulated a letter for us to sign to the Federal Reserve Board and Curtis and I went over it carefully at lunch and it is now being put in shape for the final approval before sending. I hope that it will appeal to you as being a wise letter to send under the circumstances, and, further, that Mr. Jay will not feel that the suggestion as to direct correspondence between the Federal Reserve Board and the executive officers reflects in any way upon his relations with the Board.

In regard to the acceptance business of to-day, I give you these facts:

Bills bought to-day	\$2,250,000.
We shall keep about	1,200,000.
Matured to-day (ours)	807,474.
" " (all)	1,482,000.
Our balance to-night about	40,600,000.

and we rediscounted for the National Butchers & Drovers Bank \$100,000. at 4%.

With kind regards, I remain,

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.

RHT/CEP



FEDERAL RESERVE BANK  
OF NEW YORK

178

D.A.W.

December 28, 1916.

JAN 2 1917

My dear Governor:

Your letter, enclosing one from the National Association of Credit Men, is received and the same will be answered from this office.

It was very gratifying to hear from Mrs. McLaren, who called yesterday afternoon, that you were weighing more than ever before and that you were gaining steadily, all of which is confirmed by your own letter of December 24th. Let me caution you that you will be inclined, as your strength develops, to call upon the surplus strength more and more, which it seems to me is the very thing you ought not to do, but you should steadfastly persist in self-denial and sacrifice of the pleasures and rigorously devote yourself to the daily regime, especially the living outdoors and the absorption of all the ozone possible.

There will be much work for you to do and many problems for you to solve and the longer I am in this work the more convinced I am of the great need of the revision of our currency, the substitution of modern for antiquated treasury methods, etc., and for this work I know of no one so admirably fitted as are you. I have wished during the last month that you could have been here to straighten out some of these difficulties arising from the actions of the Federal Reserve Board at Washington.

We had a meeting of our executive committee yesterday, at which were present Messrs. Peabody, Towne, Woodward, Palmer, Thompson, Starek, and Curtis and myself. We had a discussion of about an hour over the action of the reserve board in making public the foreign bank relations, and decided to have a committee of Messrs. Peabody and Towne draw up a letter, which will be

done to-day, to forward to Washington, expressing the views of the directors as to this action and also as to the relations between the Federal Reserve Board and the New York bank. Messrs. Towne and Palmer both seemed to feel strongly that we should protest vigorously against their action. Mr. Peabody seemed to sympathize also, while Mr. Thompson suggested milder action because of the abnormal conditions and our not understanding all of the influences which had led to the action at Washington, but all were in substantial accord as to our sending a letter and the lines along which it should be drawn. We will endeavor to send you a copy of the same later.

Last night Mr. Woodward entertained at dinner Messrs. Vanderlip, Hines, McGarrah, Alexander, Ferry, Curtis and Peabody and myself--Wiggin unable to be present, Warburg sick in Pinehurst, and Delano unable to come but will be in New York Saturday of this week. We had a very pleasant and to my mind profitable evening, Mr. Vanderlip leaving about 11 p. m. and the rest of us remaining until 12.

We discussed some of the suggested amendments, the collection system, and other matters, some in a very satisfactory manner although, of course, the dissatisfaction over the Clayton bill and various acts of the Federal Reserve Board came to the surface.

We informed them of our proposed offer to our member banks of telegraphic transfers free except cost of telegram. The same was freely discussed and approved by all as being apparently a wise move, but we shall in our circular, to be sent out to-day or to-morrow, say that for the present we are offering this to our member banks.

We discussed the New York Clearing House charge of  $1/40$  of 1% and Alexander said, while originally favoring this and while he still felt that should there be any effort to make drafts on Federal reserve banks available at par at all reserve banks, he should feel that the clearing house should



impose a charge for such drafts and should be prepared to protect itself in other ways. He did feel personally that the clearing house might drop the 1/40% charge, at least to try it out. Mr. McGarrah, who is chairman of the clearing house committee, seemed to be impressed favorably, I thought, by the discussion, and I expect to take up with him to-day the question of whether he will not put the matter through.

There seemed to be a very strong sentiment against the proposed amendment doing away with the necessity of any vault reserves and there were different expressions of the necessity for strengthening and keeping strong the position of the New York City banks and the Federal reserve banks against what may develop suddenly at any time.

To my mind it was a most helpful meeting, and I urged upon those present their trying to induce members of the Federal Reserve Board to come over to New York more often and meet representatives of the larger banks for exchange of views informally, so that the Federal Reserve Board might be more in touch with the conditions prevailing and the views of the men in the financial center, as I believe they would accomplish more by an occasional talk with the men in New York than by their going down to Washington, as two or three of them had reported the reception they had received at Washington.

I am inclined to think that we should raise our acceptance rate another quarter per cent., because the rates in the outside market for such acceptances as Brown Brothers, Morgan, Goldman, Sachs & Co., Etc., are around 3 3/4%, while our rates are from 3% to 3 1/4%.

The stock market is in a very nervous condition and probably will remain so while peace negotiations are going on.

With kind regards, I remain,

Sincerely yours,



Benjamin Strong, Esq.,  
4100 Montview Boulevard,  
Denver, Colo.



FEDERAL RESERVE BANK  
OF NEW YORK

178

*R.A.W.*

December 29, 1916.

JAN 2 1917

My dear Governor:

Jay writes, "I am in the dark about the foreign bank announcement. It seems to me incomprehensible that they should have done it and about as stupidly worded as possible. I am simply foaming on the subject and hope something will reduce my pressure or there will be an ascension." He further reports that he is gaining but may want to stay a few days longer as he wants to be sure and get well, and I had already written him in a letter two or three days ago that he should stay until his cough was removed and I shall reiterate it.

As a result of our discussion at the Woodward dinner, I talked with Mr. McGarrah yesterday, asking him to exert his influence to bring about a removal of the 1/40 of 1% charge by the New York Clearing House from checks not on their discretionary list, so as to make all points in the New York district discretionary, thus doing away with the charge. He told me that he was in favor of so doing and that if we would be patient, he would endeavor to have it brought about but it might take some time to do it.

At our officers' meeting to-day we decided to continue arranging all the necessary machinery to collect from nonmember banks not assenting, checks on them through the express companies, so as to have everything in readiness to act but not to make a definite date for inauguration until we know more about what Congress does in the short session. We also decided to have personal calls made on a number of the larger institutions during January, so as to gain some more, if possible, before drastic measures are taken.

I will ask Mr. Sailer to instruct the Money Department that if the amendment to the note provisions of the Reserve Act is passed, the Money Department will send notes for redemption direct to Washington.

The directors did not feel justified in paying a dividend beyond April 1, 1915, just at present but I shall hope that we will by July 1st be able to make a dividend up to December 31, 1915, as the Boston bank has just done; also Chicago, I believe.

We shall probably have a meeting of the committee on making drafts on Federal reserve banks available at par the week of January 22nd in Washington, and now that Governor Seay has presented the argument in favor of this action (and I think it quite complete and exhaustive) I wish that you would prepare a brief on the objections to the plan for consideration of our committee and send it to me, when completed. I assume that our action, which will take effect next week, making telegraphic transfers free except cost of telegram, may have some bearing also on this question.

*I will ask the members of the Com. to do likewise*

As a compromise we may be obliged to accept the plan in its application to any one designated Federal reserve bank based on the member bank notifying the district reserve bank when the draft is drawn, stating upon what other Federal reserve bank it is drawn, and then the reserve bank of that district notifying the other reserve bank of the draft and guaranteeing it against loss.

I wish that you would send me a copy of your memorandum to Mr. Warburg in re proposed amendments to the Reserve Act.

I had a call from Mr. George Roberts yesterday, during which he stated that he might be able to visit you between January 2nd and 15th and would telegraph you at once. Mr. Curtis also may be able to go out some time soon, he hopes.

I am enclosing copy of some statistical information prepared by



12/29/16.

Governor Seay in re proposed amendment requiring member banks to keep all reserves in the Federal reserve bank and not to count money in vault as reserve.

We are sending out a letter on telegraphic transfers, copy of which I will enclose or have mailed to you.

I am sending copy of a letter received from M. Pallain, dated November 29th. I assume that you will suggest any answer you think advisable, but apparently it is only an acknowledgment of some of the literature we sent him.

I assume further that you will immediately begin negotiations with the Bank of England and will send copy of same to this office for our records. We are most happy over the knowledge that matters are not misunderstood on the other side. Mr. Curtis is cabling, as you requested, advising as follows:

"Strong expresses his deep regret at premature announcement. We will continue negotiations by mail."

and it is now for you to direct same in such manner as you deem best.

We received a communication from H. V. Meredith, President of the Bank of Montreal, as per copy herewith, and will acknowledge same stating that it will be brought before the directors at their meeting next Wednesday for their consideration. If you think we should take any other position than that of encouraging preliminary negotiations towards a reciprocal relation at a later period, perhaps you had better wire me suggestions to present to the directors on Wednesday.

We have just had an application from the Merchants National Bank of New York for a loan for fifteen days of \$3,800,000., and Mr. Woodward has approved in advance of the meeting of the committee, because he leaves at 1 p. m. for Maryland for the week-end.

With kind regards, I remain,

Benjamin Strong, Esq.,  
1100 Montview Boulevard,  
Denver, Colo.

Sincerely yours,





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FEDERAL RESERVE BANK  
OF NEW YORK

12.4.16.  
JAN 2 1917

December 29, 1916.

Dear Governor Strong:

I am deeply chagrined at not having sooner acknowledged the receipt of the beautiful desk clock which you sent me for Christmas. I am deeply appreciative of this, more perhaps than you can understand, as I have a sincere affection for you; but this has certainly been a most strenuous week for us in the bank in view of the additional work incident to the end of the year, and especially because of the Board's announcement in re foreign bank matters.

I had both Mr. Woodward and Mr. Peabody read your letter of December 24th in regard to the organization and your return, and we are all mighty glad that you are gaining so regularly. Do not worry about the long absence as half of it has already passed and the bank is still running, and it will await your return which it longs for most earnestly.

I am enclosing herewith crude rough draft of a proposed report from our executive committee which will be presented to the directors next Wednesday for their action and approval, such report then being forwarded in the shape of a letter to the Reserve Board at Washington. Minor details will be corrected but we shall be glad of any criticisms as to any of the major parts of the report, should you desire to make them before Wednesday next.

I assume the committee on salaries will report at that time.

Sincerely yours,

*AT Inman*

P. S. I enclose also copy of my letter to Governor Harding, which explains itself. —

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

RHT/RAH  
Encs.

BENJ. STRONG, Jr.  
PERSONAL.

178  
Trem

December 28th, 1914.

My dear Mr. Treman:

The apples arrived in very good condition, and I can assure you that the members of the family have enjoyed them very much. Apples, as you realize, are an important part of the supplies of a family where there are small children like mine.

You will I hope pardon my taking advantage of this opportunity to send you a sample of some apples which are grown on the place where Mrs. Strong and I live in the country. As you probably know, it is owned by Mrs. Strong's father who has made a great study of the cultivation of Northern fruits. I am trying to get a box of Mackintoshes. If they are all gone, I hope to send something equally good.

Accept my warmest thanks for your good wishes which are very heartily reciprocated. It is particularly gratifying to me just now to receive such expressions as are contained in your very kind letter. We have a big undertaking ahead of us and if, in addition to accomplishing the work, we make some good friends, we will certainly have been amply repaid.

With kindest regards, believe me,

Very truly yours,

R. H. Treman, Esq.,

Ithaca, New York.



August 2nd, 1915.

My dear Mr. Treman:

I received your note of last Wednesday and felt a little guilty about that golf party after reading what you said. We put in rather a strenuous day, and possibly none of us realized how much of a gallop we took over the links, for I was pretty tired myself that night and usually 36 holes is just about a good day. We must try it again, and soon I hope, for I enjoyed the party immensely.

Sincerely yours,

R. H. Treman, Esq.,

Ithaca, New York.

BS Jr/VCM

178

Aug. 21, 1915.

Dear Mr. Treman:

In the absence of Governor Strong, I beg to reply to your letter of the 20th instant and would advise you that ordinary business dress will be worn at the luncheon on the "Corsair."

Very truly yours,

Secretary.

R. H. Treman, Esq.,  
Ithaca, N. Y.

PE

176

October 13th, 1915.

Dear Mr. Treman:

Thank you for your note of the 12th.

Although I have had a good many conferences with the gentlemen referred to, the meeting Monday was the only one which brought my name into the affair at all.

Illustrating the two points of view, I quote extract from a letter just received from Mr. Locke:

"I was very glad to have your presence at the meeting held at the National City Bank to talk over the matter of foreign exchange, noted in the Associated Press dispatches. The more we come forward in such things, the better it is for the Bank, according to my belief, and I doubt if anybody there knew as much about the question of foreign exchange as you did, or was as capable of making meritorious suggestions."

At the Monday meeting, we happened to walk into some reporters at the National City Bank and in that way they got a list of the names of those who were present.

I guess this matter is now about concluded, at any rate, as far as I am concerned, as Mr. Curtis and I leave on Sunday to attend the conference in Minneapolis and the Commission will have left by the time we return.

With kindest regards,

Very truly yours,



# WESTERN UNION NIGHT LETTER



178

Form 2289

*Fraser*

GEORGE W. E. ATKINS, VICE-PRESIDENT

NEWCOMB CARLTON, PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

RECEIVER'S No.

TIME FILED

CHECK

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

November 15th, 1915.

R. H. Treman,  
Ithaca, N. Y.

I am arranging for our Directors to dine at my apartment Monday night very informally and discuss some bank matters. I hope you can be there.

Benj. Strong, Jr.

BS Jr/VCM

Charge to Federal Reserve Bank,  
62 Cedar Street, N. Y. C.

## ALL NIGHT LETTERS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS

The Western Union Telegraph Company will receive not later than midnight **NIGHT LETTERS**, to be transmitted only for delivery on the morning of the next ensuing business day, at rates still lower than its standard night telegram rates, as follows: The standard day rates for ten words shall be charged for the transmission of fifty words or less, and one-fifth of such standard day rate for ten words shall be charged for each additional ten words or less.

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

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

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

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

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

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

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

In further consideration of the reduced rate for this special "**NIGHT LETTER**" service, the following special terms are hereby agreed to:  
A. **NIGHT LETTERS** may at the option of the Telegraph Company be mailed at destination to the addressee, and the Company shall be deemed to have discharged its obligation in such cases with respect to delivery by mailing such **NIGHT LETTERS** at destination, postage prepaid.

B. **NIGHT LETTERS** shall be written in plain English. Code language is not permissible.

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

**THE WESTERN UNION TELEGRAPH COMPANY**  
INCORPORATED  
NEWCOMB CARLTON, PRESIDENT

## CLASSES OF SERVICE

### TELEGRAMS

A full-rate expedited service.

### NIGHT TELEGRAMS

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

### DAY LETTERS

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

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

### NIGHT LETTERS

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

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December 27th, 1915.

My dear Mr. Treman:

Your note of the 23rd has afforded me a great deal of pleasure and satisfaction. It was, of course, a good deal of a wrench to break off my old associations in the Trust Company and endeavor to create new friends and new surroundings.

Your friendship and the constant encouragement you have always given us without stint has made it a good deal easier than I anticipated it would be. I want you to know that it is warmly appreciated.

With many good wishes,

Sincerely yours,

Mr. R. H. Treman,

Ithaca, N. Y.

BS Jr/VCM



178

April 25th, 1916.

Dear Mr. Treman:

Your kind note of welcome is just received on my return from Washington where I was literally "yanked" immediately on arrival.

It is impossible to say how perilous the trip was. There were perils - some of them, I am sorry to say, physical - but those involving the greatest danger to one's well-being consisted of dinners every evening, lasting until all hours of the night with a superabundance of food and all that goes with it. However, I survived the strain and am back home safe and sound, I am glad to say.

I am looking forward to seeing you on Wednesday and make some account of the trip. One thing it is impossible to do and that is to put into words the impression one gains from living for two months in an atmosphere so different from anything we have ever experienced.

With kindest regards and many thanks for your note, I am,

Sincerely yours,

R. H. Treman, Esq.,  
The Tompkins County National Bank,  
Ithaca, New York.

BS Jr/VCM

May 17th, 1916.

My dear Mr. Treman:

As I was in Washington yesterday and the day before, your note of the 15th only reached me this noon, and I am telegraphing you to-day my regrets that I am unable to accept your invitation.

This is the time of the year when the Spring Meeting "crop" needs attention and we are in the midst of our difficulties over the check collection matter and I really feel obliged in the interest of the bank to attend the meeting at Garden City, as well as the one at Warwick, the latter being the Group VI meeting on Friday. Mr. Jay and I have been dividing this work up but it still takes a lot of time and I am afraid I must deny myself the pleasure of this visit with you and Mrs. Treman. I am very regretful indeed that this is the case.

Very truly yours,

R. H. Treman, Esq.,

Ithaca, New York.

BS Jr/VCM

# WESTERN UNION TELEGRAM

Form 260

178

W. E. ATKINS, VICE-PRESIDENT

NEWCOMB CARLTON, PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

OPERATOR'S No.

TIME FILED

CHECK

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

May 19, 1916.

R. H. Treman,

Ithaca, New York.

Very much regret will be out of town on twenty-seventh. Sorry  
about mistake of date.

Benj. Strong, Jr.

BS Jr/VCM

Charge to Federal Reserve Bank,  
Equitable Building.



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

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

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

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

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

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

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

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

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

THE WESTERN UNION TELEGRAPH COMPANY  
INCORPORATED  
NEWCOMB CARLTON, PRESIDENT

## CLASSES OF SERVICE

### TELEGRAMS

A full-rate expedited service.

### NIGHT TELEGRAMS

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

### DAY LETTERS

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

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

### NIGHT LETTERS

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

# WESTERN UNION TELEGRAM

Form 260

178

W. E. ATKINS, VICE-PRESIDENT

NEWCOMB CARLTON, PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

RECEIVER'S No.

TIME FILED

CHECK

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

New York, May 17, 1916.

R. H. Treman,

Ithaca, New York.

Your letter just received on return from Washington. Very  
sorry am engaged for Group Seven meeting on Saturday.

Benj. Strong, Jr.

BS Jr/VCM

Charge to Federal Reserve Bank,  
Equitable Bldg.

## ALL TELEGRAMS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FC

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

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

### NIGHT LETTERS

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



179

May 19th, 1916.

Dear Mr. Treman:

It is a shame to feel obliged to ask you to read your letter of the 15th inst., that led to my mistaking the date of your invitation to Ithaca. You did say Saturday of next week, but described it as May 20th and the figures naturally caught my eye. I might have been a little shrewder and noticed the discrepancy.

I have made some plans for next Sunday which I cannot very well change and only on that account feel unable to accept your invitation. I would have enjoyed having a visit with you very much indeed.

My older boy and I indulged in the mortifying experience a couple of weeks ago of seeing your baseball team humiliate Princeton by a score of 1 to 0. I looked around to see if, by chance, you were not in Princeton to see the game, but was not able to locate you.

Hoping to see you at our meeting next week and with many thanks for wishing me to spend the week-end with you, I am,

Sincerely yours,

R. H. Treman, Esq.,  
Ithaca, New York.

RS Jr/VCM

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

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

# WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, VICE-PRESIDENT

BELVIDERE BROOKS, VICE-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  
M6D CC0 16 NL

16 DEY ST; NL

178

DENVER COLO JULY 2 1916

R H TREMAN

8688

FEDERAL RESERVE BANK NEWYORK

ARRIVED LAST EVENING AFTER COMFORTABLE TRIP BEST REMEMBRANCES AND  
MANY THANKS TO ALL AT THE OFFICE

BENJAMIN STRONG JR

320A

178

POST CARD



Address to The Lewiston, Estes Park, Colo.  
Scenes of ESTES PARK and the  
Rocky Mountain National Park, Colo.  
Playground of the World.

Published by W. T. Parke, Estes Park, Colo.

Here we are on top of the  
Continent & as beautiful a  
Place as I have ever seen.  
Wee soon be able to answer  
mail, and have appreciated  
your letters greatly. My  
best to all at the office and  
your good self. Ray

THIS SPACE FOR MESSAGE.

Post Cards of Quality - The Albertype Co., Brooklyn, N. Y.

Mr. R. H. Drexman  
Federal Reserve Bank  
Massachusetts Pine Sts.  
New York.

THIS SPACE FOR ADDRESS.





Estes Park, Colo., July 25, 1916.

Mr. R. H. Treman,  
Federal Reserve Bank,  
New York City, N. Y.

My dear Mr. Treman:

Yours of the 20th is just received and I am puzzled to know what answer to send about Mr. Higgins. Of course Mr. Jefferson out ranks him and we could not make Mr. Higgins an Assistant Cashier without dealing with Mr. Jefferson, who I think you realize is a man of very unusual capacity. On the other hand, I have always regarded Mr. Higgins as having unusual qualifications for the kind of work that has to be done in our organization, and when our business is more active I feel very sure that in the long run he will have a better future with us than he will with the American Exchange National Bank.

Good men are so hard to get that I am reluctant to see him leave. Looking to the future rather than to the present, I think on the whole my judgment would be to keep him if he is willing to stay, and make the necessary re-adjustment in his salary and Mr. Jefferson's and Mr. Kenzel's as well, if that proved advisable.

Under our arrangement with Mr. Sailer, his salary is also to be increased this year, but considering the amount of work that all of these men have been called upon to do, I am not a bit reluctant to see them better paid. We have to bear in mind that if a considerable number of state institutions join the System, we will need a large examining force and a good organization to manage it. The same may be true if any change in the Comptroller's situation take place so that we would have more direct relations with the examination of member banks.

I am glad to know that his two years' work for the bank turns out to his advantage whether he stays or leaves, and when the matter comes up for discussion with him I hope you will be willing to say this to him as coming from me.

All goes well here and I am glad that you and the others keep me so well posted -- it keeps my mind occupied.

With best regards to you all,

Sincerely yours,



BENJAMIN STRONG

Estes Park, Colo., August 1, 1916.

Mr. R. H. Treman,  
% Federal Reserve Bank,  
New York City, N. Y.

Dear Mr. Treman:

Replying to yours of the 27th, which enclosed Governor Delano's letter and Judge Elliot's memorandum on the subject of Fiscal Agency, possibly the following comments may be of some interest:

*No copy made  
in file* **PTC**  
**FEB 16 1917**

The theory of the independent treasury system contemplated that the Treasury of the United States should hold all of the funds of the United States in cash in the government's vaults. This was the way the government finances were originally managed 100 years ago, or thereabouts, and, as I recall the history of the second bank of the United States, when the Charter was granted the independent treasury system was entirely abandoned and all the funds of the government were deposited in the Bank of the United States. Prior to the expiration of its charter President Jackson withdrew all the funds from that bank, notwithstanding that there was no legislation then in existence which re-established the independent treasury system. Later and, as I recall, some years later, after complete disorganization had resulted to the government's finances, and after a lot of very disreputable transactions between the Treasury Department and State Banks, the independent treasury system was restored and the basis was laid for the methods of the past eighty years, which have really gone from bad to worse. The present law really does not correct the evils of the independent treasury system; it simply gives the Secretary of the Treasury the power to deposit the general fund in the Federal Reserve Banks, which are constituted fiscal agencies of the government. We have inherited all of the bad effects of eighty years experience of the independent treasury system and vested in the Secretary of the Treasury complete power to remedy these defects, if he sees fit to do so. The real question is how may his discretion be so exercised that we may gain all the benefits of the proper system of government finance without, however, having any more than the discretion of the Secretary of the Treasury upon which to base the reform. In a general way, my thought is that the change should be in the direction of having the Reserve Banks act as the depositaries for all of the general fund of the government and pay all checks drawn by the government, but have all the accounts kept by the Treasury Department. To bring about this change, it seems to me many of Judge Elliot's suggestions must be adopted. For the general fund the government should carry only twelve accounts, one with each Reserve Bank, and these account should be so managed that checks drawn by the government cannot be



used for the purpose of making exchange in any part of the country at the volition of the holder of the government's check. The development of this practice gives the government check some of the qualities of currency which is in every way bad, as pointed out by Judge Elliot. There seem to be few difficulties in the way of arranging the handling of checks drawn on the accounts in the Reserve Banks. There are, however, many difficulties in the matter of depositing the government's revenues. There I think Judge Elliot's suggestion is good. You will find ~~it~~ in the copy of a bill, known as the "Burton Bill," in Mr. Curtis' possession that it was provided that National Banks might be employed for the purpose of receiving and transmitting the government's revenues. That is just what should be done and I don't see why an amendment to the Act is necessary to accomplish it. If ~~a~~ bank in Buffalo will furnish the necessary bond to cover a fixed balance of say \$50,000 and in consideration of that account will receive on deposit all internal revenue and customs collections at Buffalo, the excess of \$50,000 to be either transferred to the Federal Reserve Bank at New York or charged to that bank's reserve account on our books, we could still carry the entire fund, including that balance as a part of our account with the government, letting the bond run to us for the protection of the government and consider that we are handling the account in that way, simply as the government's fiscal agent.

So far as the accounts of the various disbursing offices are concerned, I should think all of the accounting in connection therewith should be conducted at Washington and the various checks paid by the Reserve Banks to be charged against the one general fund account. If disbursing offices draw too much, or draw incorrectly, or without authority, that is the government's affair and they should obtain protection by bond of their offices in the usual way.

You will gather from the above that I agree with Judge Elliot's memorandum almost in its entirety, my only doubt being as to the necessity for legislation. If ~~a~~ National Bank is appointed a depository for the government for the purpose of receiving and transmitting its revenues, certainly the government should have the power to direct that depository to transmit the funds and render its accounts to the government's fiscal agent, that is the Federal Reserve Bank of the District. We could include the balance carried with the Buffalo Bank in our balance due to the government and show it as an asset on the asset side of the account as due from government depository banks, having of course no financial responsibility as to the balance, which the government would cover by the usual bond or security.

In connection with this correspondence I believe it should be pointed out that the present system needs perfecting

BENJAMIN STRONG

3.

so as to avoid the shifting of funds at present thought necessary by the Secretary of the Treasury. If he made it his policy to carry in gold in the general fund a round amount of say fifty million dollars or one hundred million dollars, and deposited all excess revenues with the Reserve Banks and left them there, the country would rapidly re-adjust itself to the idea that the fluctuating account was not the cash held in the general fund, but the balances carried with reserve banks.

I am very much impressed with what Judge Elliot says about the lack of care in scrutinizing checks paid when they reach the Treasury Department. The difficulty can be cured if the force of men which is now doubtless employed in keeping the hundreds of accounts maintained by the government were allowed to devote their time to making a proper examination of the government's vouchers.

Mr. Curtis is interested in a little organization that is at present undertaking to look into matters of economy and efficiency in the government's service. While many improvements have already been made in the Treasury Department, I believe many more could still be made through cooperation by the Reserve Banks and such an organization as the one I refer to, provided of course the Treasury officials are willing to take a friendly interest in it.

Secretary McAdoo has always evidenced the right spirit in these matters and I am sure his cooperation could be obtained.

There are two other features of this work that should also receive consideration; one is the transfer of the accounts at the Post Office Department, which has already been investigated by our Junior officers; the other is the development of some system by which the Federal Reserve Banks may be of service to the government in handling checks drawn in connection with redemptions of currency.

This is a rather sketchy dissertation in reply to your letter, but the fact is this subject requires study on the ground in Washington where the accounts are kept.

I will be greatly interested in hearing the result of anything that is done.

Very sincerely yours,

*Benjamin Strong*



Estes Park, Colo., August 3, 1916.

Mr. R. H. Treman,  
% Federal Reserve Bank,  
New York City, N. Y.

Dear Mr. Treman:

The enclosed letter from Brien Cokayne, Deputy Governor of the Bank of England, should be placed with the papers relating to our negotiations with the Bank of England which, of course, are of the most confidential character. Shortly after I received it I wrote the Bank of England, advising them of my illness and that I would answer the letter a little later. I have now prepared and signed the enclosed answer, which it seems to me should not be sent until you and your associates have considered it very fully and approved of its contents.

If you do approve the letter and mail it, it will then be necessary for us to do two things more in anticipation of favorable action by the Federal Reserve Board:

One is to prepare a memorandum, or form of resolution, or letter, to submit to the other eleven Reserve Banks and to the Federal Reserve Board, outlining the basis (as well as expressing the obligation to be incurred) for participation in the account. My idea is to have the Federal Reserve Bank of New York complete the arrangements with the Bank of England, irrespective of what the other Reserve Banks may determine to do in the matter. When the plan is completed we can then offer participations to them if they want them, but figure upon going ahead with the account ourselves whether they join or not. As a matter of courtesy, however, the form of obligation, as well as a description of the plan, might as well be submitted to the Board and to the Banks prior to its final adoption, with the request for criticisms and comments. The matter is of sufficient importance it seems to me to require this course as a matter of courtesy. I am preparing a paper as a suggestion for you and the others to consider, which will go forward in a few days. This, at the proper time, when you have made any necessary changes, could be submitted to each of the Reserve Banks in confidence, together with a copy of the memorandum of my conference with the Bank of England and a copy of the memorandum submitted to the Federal Reserve Board.

When that has all been done, or while it is being done, we should be considering the second matter, which is the employment of a competent man to take charge of transactions of this character. What I have in mind as a possible

[See Cokayne file]

See also  
Curliffe  
file



solution of the difficulty is to give Mr. Cann charge of the handling of the exchange and the bill accounts, and employ in addition a man from the Assay Office, or the Sub-Treasury, who is thoroughly familiar with the whole subject of coinage, gold and the assay office practice. It will not require a very expert foreign exchange man to handle the account, at any rate at the outset, and I believe Mr. Cann could handle the account perfectly well; but he would need the assistance of someone thoroughly conversant with making figures on gold. Such a man could work out the details of a plan by which we could hold sovereigns as they are imported so as to avoid melting charges.

It will not be long now before we should be moving to start this account in operation, in case we are going to do so at all this year, and I hope the Reserve Board will take a reasonable view of the plan.

If the Board makes a favorable decision and I improve sufficiently out here to justify doing so, I might spend the last month or six weeks of my exile in London and Paris and put the finishing touches on the arrangement.

Yours very sincerely,

P.S. My suggestion about Mr. Cann is entirely tentative and it would require some discussion with him before determining whether he feels fully competent to handle these transactions.

BENJAMIN STRONG

Estes Park. Aug 12<sup>th</sup> 16

Dear Mr. Duman -

Yours were find enclosed. -

- 1<sup>st</sup> Original letter from Owen Corbaine, Dep. Govt of the Bank of England. June 15
- 2<sup>d</sup> Mr. proposed reply "as a spare copy. Aug 3
- 3<sup>d</sup> Letter to you of Aug. 31 w' explanation.
- 4<sup>th</sup> Draft of proposed letter to Govt's of all the Reserve Banks. Attached

Have been holding the above expecting word about the passage of amendments to Sec 14. but there has been so much delay, that I hesitate to hold them longer for rewriting in case the amendments should pass. - particularly as Mrs. de Haven has been delayed by illness for a week or so and I am sans strength. It seems as though we should be pushing this matter along and I am sure from what Nelson writes, that the Board expects us to do so. Should you decide to mail my letter to Corbaine, and the amendment regarding days of



grace go through both houses at the earliest  
possible, you will write him <sup>(Booker)</sup> explaining the  
change. You doubtless noticed that the proposed  
amendment authorizing our receiving accounts  
from our foreign correspondents, has passed the  
Senate. That duplicates matters somewhat.

My letters will be limited until after the  
10th, and then I will try and send a brief  
on the note issue, possibly mailing it direct  
to Boston. You will find some rather full  
memo. on the subject in our files, - but they do  
not cover the situation as it will be when  
Sec. 16. is amended. Have you had a chance  
to overhaul the long memo?

There is no news to speak of. Things rock  
along here, about as usual, save for a set back  
this week caused by getting something that gave  
me a bad upset. All best to you all. Hope  
the weather is better, and check collections now  
so bothersome. Yours as always

Geo. Bronson



BENJAMIN STRONG

Aug 15/16.

R ✓

Dear Mr. Truman -

Following "instructions", from both Dr. Truman & Dr. Curtis, my letter will be brief. I would have a talk with Kent regarding the B. of C. matter, but he is so thoroughly familiar with the whole plan, it may not be necessary to have him go over the memo. in detail. The neutrality part, & references to State Dept., seem rather too confidential. His views you will appreciate & value. Would get Curtis to see de Cadeo, and then, when copies are ready, submit formally to the F. R. Board & ask DeLano to push it.

Will not answer other mail until my office is going again. You don't need to worry about my hours & work. I do next to nothing and have already gone half thru Shakespeare & am learning to loaf. Best to you all,  
Yours as always, Ben: Strong

DESIRED

sage

iv. ge

at Letter

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

# WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

Receiver's No.

Check

Time Filed

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

Estes Park, Col., Aug. ~~29~~<sup>30</sup>, 1916.

191

Federal Reserve Bank,

To

Equitable Building,

New York City.

Conferees report on amendment bill printed in full in Chronicle  
Paragraph "E"  
August twentysixth makes no provision for amendment to Section  
Fourteen in respect of days of grace. Can it be possible that  
this has been omitted with no possibility of amendment passing  
at this session?

Benjamin Strong.

BS/VCM

SENDER'S ADDRESS  
FOR ANSWERSENDER'S TELE-  
PHONE NUMBER



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

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

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

## THE WESTERN UNION TELEGRAPH COMPANY

INCORPORATED  
NEWCOMB CARLTON, PRESIDENT

### CLASSES OF SERVICE

#### FAST DAY MESSAGES

A full-rate expedited service.

#### NIGHT MESSAGES

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

#### DAY LETTERS

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

##### SPECIAL TERMS APPLYING TO DAY LETTERS:

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

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

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

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

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

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

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

#### NIGHT LETTERS

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

##### SPECIAL TERMS APPLYING TO NIGHT LETTERS:

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

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

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

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



B.S.  
fraser

Estes Park, Colo.,

September 29th, 1916.

Dear Mr. Tremen:

The package of books had just been received from you and I am very grateful indeed for your contribution. If I stay here another six months, it will result in the accumulation of quite a library. I am glad to have some light reading which is used to pass the time while I am lying down.

I have just returned from Denver after a fine visit with Warburg and Aiken. Aiken could only stay one day, but Warburg was there for three days and we discussed every pending matter. I will write you in detail a little later about some of them.

With warmest regards, and hoping that you won the old man's prize at Rye, I am,

Faithfully yours,

R. H. Tremen, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM

Estes Park, Colo.,

October 4th, 1916.

Dear Mr. Treman:

Mr. Jay will show you my letter and telegram in regard to the directorship matter and the Federal Reserve Advisory councilman. I hope this fits in with your own views and that Mr. Woodward and Mr. Towne will see it in the same way.

We cannot always expect to agree about matters of policy, and while I am sorry the one year notes were sold, you need not for a moment think that I feel badly about it. It is just a case of having a different view of the advantages of the policy adopted. I really do not think that the distribution of these notes does the government any good and, of course, we lose earnings. I asked Mr. Vanderlip how he felt about it, and he said he would be glad to take all we are selling on a 2 5/8 basis. If he would be willing to buy them, it is a pretty good indication that he would think it good policy for us to keep them.

About shipping out silver certificates, I suppose Governor Harding has in mind that we will pay the cost, the government thereby being relieved of some expense and we having the advantage of getting the gold. This would be an evasion by the government of its statutory obligation and I would rather let the stuff accumulate and go right to the New York Subtreasury and ask them to give us gold for it. At any rate, I am convinced from the statements which come every day that you are succeeding in handling that situation without any expense and you can imagine how gratified I am.



To R. H. Treman, Esq.

Oct. 4, 1916.

The report of good progress in the collection department, contained in yours of the 27th, is very encouraging indeed.

I am also tremendously pleased to hear from Warburg that things went off so well in Kansas City. The System was well represented and that undoubtedly suppressed some kicks.

I will write you more fully about a number of matters next week after my visitors leave. Thank you very much for your letters which keep me posted and encourage me to believe that you are hopeful of seeing me back there.

It is disappointing that the New York bankers are so ag-grieved over the operation of the Clayton Act, but I do not see how it can be helped. It is the law and must be observed and the Federal Reserve Board could not be expected to exercise discretion in such a way as to defeat the real purpose of the law.

I have not written about the Bank of France matter, as it really needs a lot of careful thought and I am spending most of each day with my visitors.

It will be interesting to hear what Turner and the others think about the directorship matter. I do hope that we have as a result of this year's effort some decent organization to take this matter in hand on behalf of our stockholders.

With best regards, I am,

Faithfully yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM



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Estes Park, Colo.,

October 11th, 1916.

Dear Mr. Tremen:

There are one or two matters mention in your<sup>s</sup> of October 3rd which I do not seem to have referred to in my recent letters.

About the Guaranty Trust Company acceptances, I think \$14,000,000 or \$15,000,000 divided among the System is a pretty good line and should not be greatly exceeded. Other reserve banks have offerings of their bills which they declined, not knowing, of course, the total line for the whole System. I explained this to Kains who has grumbled a bit about declining opportunities to buy their bills and he thought a total line of \$14,000,000 or \$15,000,000 was about large enough.

Warburg and I discussed the question of apportionment of investments made by the New York Bank. He thinks our allotment is too small, as I do, but I have no data on which to check the calculations made by the Committee. Certainly, it was a great surprise to see our proportion reduced.

It is out of the question to execute special orders such as the one received from Kansas City. If they are not satisfied with what they are getting, they should deal with the matter with the apportionment committee, and not ask us to ignore the arrangement and make special purchases for them.

About the foreign arrangements, it seems to me nothing can be done until the State Department has acted. I believe we

To R. H. Treman, Esq.

Oct. 11, 1916.

are entitled to a hearing on the subject and think some one should take the matter up officially with Harding and get it straightened out. There is a special committee of the Reserve Board to deal with the matter and Warburg has expressed his determination not to interfere in the discussion. We ought to be buying bills in London this Fall and Winter. I would not hesitate to write to Secretary Lansing or Frank Polk from here, except that it would be a discourtesy to the Board and one which they would be justified in resenting. I am just as restless as you are at the lack of progress.

The decision about the Whitney Central Bank acceptances is, it seems to me, a wise one. They are not entitled to a better rate or as good a rate, as the best New York institutions and I think we should decline to buy the bill. You will find that the Whitney Central Bank declined to furnish us with statements in the form required and that is ample justification for declining to buy the bill. I wrote to Mr. Wexler about it, and he was very positive that he did not care to furnish us with the information we ought to have.

Please let me know if there is anything more I can do in the foreign matter.

Sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM



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Estes Park, Colo.,

October 11th, 1916.

Dear Mr. Treman:

I have just returned from spending a few days in Denver where I was obliged to go to arrange about my boy's health certificates, etc., and start him off for the Hill School. We went down with the Vanderlip-Trumbull party, meeting Kains at Loveland where we spent the night in Mr. Trumbull's car, and then next day Hendricks joined us in Denver.

The weather was so bad that I was obliged, willy nilly, to observe Dr. Treman's orders, although we did manage to get one drive about town when I was able to point out my new Winter residence to Hendricks. I also heard Vanderlip and Trumbull speak at the Mile High Club luncheon and then went out with them to a little informal tea in the afternoon.

Dr. Sewall whom I saw twice, seems to be quite satisfied with my progress and has agreed that a little later it would be feasible for George Roberts of the City Bank, to come out and make me a visit to help formulate some of the plans we have discussed back and forth about some changes in our currency laws. I will send you the material when it is in anything like good shape.

Hendricks has returned to the Park with me and will stay for a few days.



To R. H. Treman, Esq.

Oct. 11, 1916.

I find yours of the 4th and 5th here and I hope you will pardon rather a cryptic reply.

About my letter to Carter Glass, that as well as other material is gradually taking shape with the idea that immediately after election the question of further currency legislation must be pressed. I have been all over the matter with Mr. Vanderlip who, of course, has had four years in the Treasury at Washington and is thoroughly posted on this whole question. He approves of the scheme which I outlined and believes if it is not adopted pretty soon, we are going to have a terrible smash. I do not share his views quite, but realize the urgency of doing something, and would like to make my contribution from here.

Regarding the Nederlandsche Bank, it seems to me that the bill we are now rendering which covers services from March 16th practically to October 1st, is moderate and fair. The 1/20 per month charge at the outset was during a period of very high rates for Dutch exchange and the transactions resulted in a very large saving which one might construe as profit due the Nederlandsche Bank, and I believe the charge is justified. It would be a good plan to submit the bill promptly, but I would suggest that it be done by communication with the Ambassador in Washington, and the bills sent by him in the Embassy pouch. There is no necessity for exposing the extent of our operations to the British censor. The best plan would be to write to the Ambassador and ask him if he would be willing to transmit the communication to the bank, of which a copy should be sent him unsealed, so that he can read it and return it if it violates their policy or rules.

To R. H. Treman, Esq.

Oct. 11, 1916.

In taking additional banking space, might it not be well to so arrange the departments that the cost of additional space can be added to the cost of the Transit Department?

I would be a little cautious about lines to Ladenburg & Thalman. My recollection is that both the Ladenburg estate and the Thalman estate withdrew large amounts of capital from the business. Furthermore, a considerable part of their financial strength came from foreign connections which not now be valuable or as strong as they were prior to the war. They do a large commercial banking business and, as you know, a considerable amount of stock and investment business as well, and the two do not go very well together.

Have telegraphed and written Mr. Jay about the directorship and Advisory Council matter, so will not repeat here.

About your address, there is no doubt whatever that the use of trade acceptances in place of the open book accounts is sounder and puts our merchandising on the proper banking basis. It makes the open account a much more liquid asset, but should not be construed as justifying complete abandonment of the practice of obtaining borrowers statements, as some people have incorrectly assumed. A frequent criticism of the proposal to substitute trade acceptances for book accounts grows out of the old custom of merchants or jobbers drawing on customers whose credit is not very good. This is an added argument for developing the practice. It educates buyers to pay bills promptly; it substitutes a specific claim for a general claim against the drawer of a bill, in other words, it is



To R. H. Treman, Esq.

Oct. 11, 1916.

the same as pledging the customer's account as security for the loan. It will have the effect of cutting out a lot of bad practice in the matter of deducting discounts not justified by the terms of the sale, return of goods claimed to be defective or otherwise not as represented, and I think in many ways improve out mercantile practice. On the other hand, it would be a great deal better for the country as a whole not to encourage the use of drafts in settlement of accounts between retail merchants and their customers. Drafts should be drawn by manufacturers, wholesalers and jobbers on retail houses, they presumably being the last handlers who convert goods into cash.

One very important object to be attained from our standpoint is to give automatic evidence that advances made to manufacturers and merchants are not for the purpose of furnishing permanent capital to be used in making the turn-over.

I am glad to learn that our investment account is being built up. Have written Mr. Jay about Mr. Locke's proposal and suggested by telegraph deferring a vote for another meeting so that I could write to Mr. Locke personally.

About our dividend policy, if we wipe off of our books all organization expense, except the cost of printing Federal reserve notes not yet issued to the bank, it seems to me that we would be justified in paying out all but a very moderate amount of our earnings and catching up as far as possible with out dividend accruals. If we have, say, \$15,000 in excess of the amount required to pay



To R. H. Treman, Esq.

Oct. 11, 1916.

the dividend to that date. Mr. Curtis is acquainted with the recommendations of the Dividend Committees of the Governors and the latest suggestion of the Board as to the dividend period, and I think some object will be gained by promoting uniformity among all of the reserve banks in that matter. Our expense account will be helped out by the Transit Department which as I figure contributed about \$75,000 a year and provided for some part of the rent and other overhead.

Have not yet prepared the Bank of France letter but will do so shortly.

Please congratulate Mr. Jay on the outcome of his talk with Canandaigua.

I am interested in the particulars of the Gold Settlement Fund and, of course, we cannot club those fellows into withholding settlement but they ought to make their contribution to help our situation.

Warburg's speech was very good. I am glad it was well received and am all ready with one article along the line of our correspondence, but feel that it should not be published until after election day. I hope Hughes is elected, but he is making a wretched campaign and is not making the kind of impression at here that is really needed.

So much for the present. I will write Mr. Jay on the other topics mentioned in your two letters.

With best regards,

Very sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
New York City.

BS/VCM

To R. H. Treman, Esq.

Oct. 11, 1916.

P. S. Yours of the 6th is received since dictating the above. Am writing Mr. Jay about the delay in the State Department and, of course, nothing can be done so long as they hold us up. The matter should be brought to a conclusion, but I would deplore an unfavorable decision. My hands are tied out here as it would be the height of discourtesy for me to correspond with friends in the State Department about the matter when it was submitted by the Federal Reserve Board. I think Mr. Curtis should be permitted to discuss the matter with Mr. Polk.

B. S.



To R. H. Treman, Esq.

Oct. 11, 1916.

P. S. Yours of the 6th is received since dictating the above. Am writing Mr. Jay about the delay in the State Department and, of course, nothing can be done so long as they hold us up. The matter should be brought to a conclusion, but I would deplore an unfavorable decision. My hands are tied out here as it would be the height of discourtesy for me to correspond with friends in the State Department about the matter when it was submitted by the Federal Reserve Board. I think Mr. Curtis should be permitted to discuss the matter with Mr. Polk.

B. S.



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4100 Montview Boulevard.

Denver, Colorado,

October 17th, 1916.

Dear Mr. Treman:

Thank you heartily for your nice letter of October 13th.

I believe from all accounts that I am taking as good care of myself as it ever will be possible for me to do, considering the impatience of the patient and the irksomeness of idleness. At any rate, the results so far accomplished seem to give some indication of my being fairly reasonable in following orders.

Of course, it is always in my mind that I may not get back to the bank. Should that develop to be finally the case, I would be inclined to ask the directors to permit me one last flicker before the flame goes out, by letting me go abroad once more and conclude those foreign arrangements.

I am all settled in the new house. It is delightful and attractive beyond my expectations and fortunately, the owner, who is a very nice fellow indeed, left the house practically as it was with every blessed thing we need, including servants. We are having the most wonderful weather, the thermometer above 70, brilliant sunshine and a background of the Rockies, now well covered with snow.

Once more, many thanks for your constant thoughtfulness of me and my welfare, of which I despair of giving you adequate evidence of my gratitude.

With warmest regards, which I hope you will extend to the boys at the office, I am,

Faithfully yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
New York City.

4100 Montview Boulevard.

Denver, Colorado,

October 18th, 1916.

Dear Mr. Treman:

This is really my first day of office work since moving to Denver as the office has been packed up and it took some time to get the necessary accommodations for typewriter, etc. We are now all straightened out and I can take care of mail as fast as it comes.

The statement of the Bank of France enclosed with your letter will come regularly to the bank but it really is not necessary to send it to me. We should have a file at the office and I am returning the one you have sent me.

About a week ago I wrote you about the matter of accumulating gold. There seems to be nothing that we can do until the Act is amended. There are only two ways of accumulating it; one is by the deposits of member banks which Mr. Warburg advocates and which I do not think will be a permanently effective plan, and the other is by note issues for the development of which we must await the pleasure of Congress. Some of the other reserve banks might do more than they are doing, but I think they all hesitate to incur the expense involved.

Mr. Warburg and I did discuss at length various plans for settling balances in silver certificates and United States notes but it will be a cumbersome and expensive method.



To R. H. Treman, Esq.

Oct. 18, 1916.

The law provides by the Act of March 4, 1886 that silver certificates may be issued in denominations of one, two and five dollars, the Act of March 14, 1900 provides that thereafter issues of silver certificates shall be limited to issues of ten dollars and under except that 10 % of the total volume of such certificates may in the discretion of the Secretary of the Treasury be issued in denominations of twenty, fifty and a hundred dollars. There is no provision for the issue of large certificates in any form and consequently they cannot be surrendered at one Subtreasury and reissued at another.

The issue of United States notes is I believe also surrounded by similar limitations. The maximum denomination now being issued being notes of one thousand dollars and no order certificates are ever issued or, in fact, is their issue authorized by law. This state of the law makes it impracticable to settle balances in silver certificates and United States notes unless we are willing to incur the expense of physical shipment.

One suggestion has occurred to me about the gold situation. Our present method of treating the liability for Federal reserve notes is based upon a ruling of the Reserve Board. Under that ruling, the liability of Federal reserve notes is extinguished when gold is deposited in place of commercial paper. The law however provides that the liability is reduced when gold is so deposited. There is nothing in the law requiring any specific bookkeeping method in dealing with this operation and as a matter of fact the reserve banks will always remain liable for the payment of notes outstanding whether secured by gold or by commercial paper. We might



To R. H. Treman, Esq.

Oct. 18, 1916.

be able to persuade the Board to change their ruling in this respect and do by ruling what was contemplated should be done by amendment to the Act. It might be well to have Mr. Curtis look this up and prepare a memorandum on the subject which I would like to see. It should be done promptly so that any change in the present ruling can be put into operation promptly.

About the allotment of warrants: I have just received a memorandum of dividends paid by reserve banks indicating that six of the banks are now paying dividends and it seems to me that their allotments should be reduced and the allotments of the three or four which are without dividend prospects should be materially increased. Mr. Warburg's view was that the New York bank should be allowed about one-third of all purchases, instead of 23 % as at present. Of course his suggestion was only a guess and I think the basis should be figured more accurately than that but nevertheless should give us a considerably increased proportion.

This is a good subject to take up with Aiken, Rhoads and Fancher when you have your regular conferences. I am sorry not to have been able to get something to you before the meeting of last Tuesday but it was impossible as mail was delayed in reaching me, having first gone to the Park and been forwarded.

I have a letter from Curtis about the request of the Bank of Commerce about ruling on certain bills to which I have replied by separate letter and will not repeat.

Warmest regards to all at the bank.

Faithfully yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
New York City.

Denver, Colorado,

October 20th, 1916.

Dear Mr. Treman:

Enclosed please find copy of a letter just received from Brian Cokayne, Deputy Governor of the Bank of England, together with original and two spare copies of a reply which I have prepared to be mailed in case it meets with approval at the office.

In case it appears to you that the Bank of England people are a little dense about this exchange matter, I think the explanation is that the Bank of England has never done a foreign exchange business other than occasional transactions with France. The arrangement proposed between our banks and that institution will be quite a new departure for them.

It is most irksome to be held up by the State Department and I hope you may find it possible in some way to ascertain unofficially what their attitude will be.

Very truly yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM



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Denver, Colorado,

October 23rd, 1916.

Dear Mr. Treman:

Yours of the 17th is just received.

I sympathize with you in your struggles over the address. Nothing bores me more than doing just what you had to do.

A long letter from Mr. Locke intimates that he proposed the introduction of that resolution because the meetings were a little uninteresting and he thought it might provoke some interesting discussion. I am sure he will not press the matter.

Be sure and send me a copy of your trade acceptance address.

I am writing Mr. Jay on other matters and presume the letters will be passed around, so will not repeat.

Sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM



TRANSIT DEPARTMENT

FEDERAL RESERVE BANK OF NEW YORK

Close of business OCT. 24, 1916.

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Number of items handled	37,557.
Totaling	<u>\$8,859,919.04</u>
Difference	Short _____
	Over <u>2.96</u>
O. Z. RACK PROVED	4.10
JERSEY " "	4.50

ANNUAL STATEMENT

FEDERAL RESERVE BANK OF NEW YORK

Close of business OCT. 25, 1916.

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Number of items handled 32,020.

Totaling \$9,090,738.55

Difference            Short \_\_\_\_\_  
                          Over            \_\_\_\_\_ .59

F.R. RACK PROVED 4.10

JERSEY " " 5.30

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Denver, Colorado,

October 26th, 1916.

Dear Mr. Treman:

A flock of letters from Mr. Jay to which I have been gradually replying seems to have temporarily diverted the stream from you to him but now I have caught up all around on correspondence, as he has, and will begin to bother you again.

With this is a proposed letter to M. Pallain which I have dated October 31st to correspond with its New York mail time. I am sorry that it is so long but the time has undoubtedly arrived to develop in some detail the character of an arrangement which seems to be desirable if he is willing to work along the same lines as the Bank of England. Won't you and the others read this carefully and please do not hesitate to point out any objections which may occur to you?

Two spare copies are also enclosed for the bank's files.

Sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM



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Denver, Colorado,

October 27th, 1916.

Dear Mr. Treman:

I was delighted to receive your fine long letter of October 24th.

It is amusing after reading Miller's Indianapolis speech to find that you credit, or charge, Warburg with being the author and promoter of the plan of inducing member banks to deposit all of their reserves that they can spare with the reserve banks. He does believe in the plan as a part of the general plan for enlarging our gold resources, but he nevertheless believes just as strongly in the principal of accumulating gold by note issues.

The enclosed copy of a letter recently written Miller expresses my views so fully that I won't attempt to repeat here. You undoubtedly have Miller's speech in the office.

If judicious inquiry can be made of a few banks along the lines of your suggestion, it might indeed be a good plan. In my former letter, I expressed some doubt of the wisdom of doing anything to excite comment or cause alarm and of course that still holds good. My real feeling is that our note issue cannot be made a permanent means of accumulating a large volume of gold until the whole currency problem is worked out and new legislation is passed.

To R. H. Treman, Esq.

Oct. 27, 1916.

About the foreign arrangements, aside from the Bank of France correspondence, I really do not see how we can do anything in England until the State Department has acted. Just as soon as they have acted, I think we can go right ahead.

Thank you for sending me the copy of the confidential circular about the French credit. A long telegram from Curtis indicates that he is in Washington to-day, banging away on the subject. I have telegraphed him my own views and written him to the office and won't repeat in this letter if you will be good enough to ask him for them. I am glad the matter is being dealt with at headquarters and will be much interested in their report. It is most important for the protection of our own domestic situation in future years to build up the largest volume of these credits possible. The more obligations the belligerents enter into to pay us gold at future dates, the more protection we have against their later demands upon us for gold. It is very important in dealing with this matter that Curtis and Jay should review the old correspondence and memoranda relating to the Brown credit as otherwise it may not be apparent just how completely the Board has already committed itself to the principles underlying these transactions.

About increasing our acceptance rate, it all depends upon the condition of the money market. If we are no more than 1/8, or even 1/4 in the case of the best bills, under the rate at which other banks are buying bills, I do not think I would change it. Our steady rate at this low level is attracting business all the time to this country.



To R. H. Treman, Esq.

Oct. 27, 1916.

Before doing anything in the way of outlining currency legislation, I want to prepare one or two more articles along the line of the one already sent you and see what the effect is, besides that, it helps crystallize one's views to get them down on paper.

I am in correspondence with Mr. Locke about the resolution and advised Jay that there was no probability of his pressing it.

Don't worry about my progress or the way in which I am following your advice. I saw the doctor yesterday and discovered that I had gained about five pounds since I last saw him. He is now recommending a certain amount of exercise which is pretty good evidence of progress. Nor do I worry about Dr. Treman's bill for advice. I owe him so much already in various ways that it would bust me to settle the debt. I will be back there some day as good as ever, or good enough to finish the job before quitting entirely.

About the discrimination in rates between foreign and domestic drafts, it is rather illogical to make any difference and there is one very strong argument for not doing so. Of course, we want to develop our foreign banking business, but there is always the possibility that when the war is over, we will lose what we have gathered in London. It would leave our market bare of bills; in other words, the very thing we are endeavoring to develop, which is a large volume of banking paper



To R. H. Treman, Esq.

Oct. 27, 1916.

for which there is an immediate market, on the drop of the hat would be indefinitely deferred in accomplishment and we would have to start all over again with a big campaign of education to get our domestic business on a bill basis. Why not use our resources now when they are abundant, to stimulate the development of this domestic business? The strongest argument to the drawer of a bill will be a lower rate of interest than he has heretofore paid; so I am in favor of giving these concerns that are willing to adopt the new basis, the benefit of a preferential rate.

We are enjoying the most gorgeous weather. Yesterday and to-day were perfect - warm enough to be out without a coat, and one is always conscious of the background of the Rockies, just now white with snow.

Best regards and many thanks for your bully letters.

Faithfully yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM

178

November 1st, 1916.

Dear Mr. Treman:

A letter just received from Seay of Richmond advises me that he has adopted the scheme of imposing penalties for deficient reserves and that last month he had collected \$4000 in penalties from member banks; that he is having no overdrafts but that, on the contrary, his deposits have increased from \$15,000,000 to nearly \$22,000,000.

Conditions in his district differ from those in ours materially and I am still very doubtful of the wisdom of invoking penalties, but it may be a good plan to ask Seay to give us the benefit of his experience in that matter, as it might occasion some change of views. He tells me that Mr. Jefferson has been there and possibly the information is already in his hands.

A long letter from Mr. Curtis on the French credit matter tells that story up to date. It is a grievous disappointment for I feel sure the Reserve Board made a great blunder.

With best regards, I am,

Sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM



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November 6th, 1916.

Dear Mr. Treman:

I have yours of October 31st and November 1st.

The French matter seems to have been finally settled after a fashion and I suppose considering the mistakes made by both the bankers and the Board, it was the best that could be done.

Would you mind sending me the text of the application submitted to the Board covering that two years acceptance credit granted by the Bank of Commerce for the purpose of carrying hides for German account in the Argentine, together with text of the Board's ruling, which I am most anxious to see?

I note what you say about the position taken by Hepburn and others on the policy of the reserve bank in buying bills. It is just what I would expect Mr. Hepburn to do.

I read the article in the Sunday Times about the A. B. A. referendum on the collection system. The questions proposed by Mr. Thralls are bad in that they suggest a further poorly considered alternative. As they have already gone out, I believe it is too late to do anything about it. Some temptation might arise as the result of this referendum and possibly of discussion at Washington, as intimated in the Journal of Commerce, to head off this movement by an offer on the part of the reserve banks to perform



To R. H. Treman, Esq.

Nov. 6, 1916.

these services for nothing. If the circulars have not gone out, I believe it might be wise to endeavor to reach all the members of the committee of twenty-five and, if possible, to have a meeting with them. If they cannot be gotten together for a meeting with the Governors, there is danger of twelve different suggestions being made from twelve different sources and a good deal of confusion resulting. In no event, would I want to see the reserve banks undertake the check collection business without assessing the cost. There is no knowing what it might not lead to. It is wrong in principle, contrary to the spirit of the Reserve Act and might well be construed as opening the door to a policy of paternalism for the conduct of which the reserve banks would indirectly use government funds. I really think it is a very dangerous precedent.

About discrimination in rates between the new French bills and the rates for bills more directly commercial in character, I do not see how any such policy can be adopted with safety, at any rate, until the business develops further. Why is the bill of the Hanover National Bank drawn by a French manufacturing establishment worth any less than is the bill of the Hanover National Bank drawn by an American exporter? It seems to be almost a distinction without a difference.

I am rather inclined to think that Wilson's chances of election are much the best although much will depend on New York State.

Thank you for the office reports which are very full and interesting.

To R. H. Treman, Esq.

Nov. 6, 1916.

Just as soon as election is over, I hope the question  
of our foreign arrangements can be actively taken up.

With kindest regards to you all, I am,

Very sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM

COPY

To R. H. Treman, Esq.

Nov. 6, 1916.

Just as soon as election is over, I hope the question of our foreign arrangements can be actively taken up.

With kindest regards to you all, I am,

Very sincerely yours,

B. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM

COPY



November 7th, 1916.

Dear Mr. Treman:

Thank you for your letters of the 2nd and 3rd.

Both you and Mr. Jay write me about the question of getting more gold by issues of notes. I do not need to reiterate my hearty endorsement of such a plan. Looking over the record of last year's note issue however, one realizes that we do not get a permanent hold on more than a minimum amount of the gold so accumulated because of the large surrender and redemption of notes as soon as demands for currency subside. We seem able to get and hold about \$75,000,000 as a minimum. To the extent that notes are issued, beyond a certain minimum, we may expect with certainty that most of them will be redeemed in a few months. It does seem to be a needless expense. The plan of distributing them more widely will give them a more permanent circulation and make our gold holding a little more permanent, so I really think it is worth trying.

Your views about foreign vs. domestic acceptance rates are exactly mine and I am glad they are confirmed by the opinions of other bankers.

I wrote Mr. Jay a little program of development work, the result of considerable cogitation out here, and it is growing in my mind that we should start an aggressive campaign to bring state banks into the par collection scheme. It is a point of contact which may result in augmenting our membership in the System.

To Mr. Treman.

Nov. 7, 1916.

Yours of the 3rd crossed mine in regard to the Committee of 25. It is too late I think to do more than watch the situation and cooperate with Thralls. He exaggerates, in my opinion, the present antagonism of country bankers. An able leader at Kansas City could have brought about a revolt and many withdrawals. Now that that meeting is passed, I believe the worst is behind us.

If the Committee has a meeting, I would by all means advocate establishing cooperative relations with them just as we did with the National Bank Section. It makes it mighty hard for them to deliberately adopt a policy injuring the System when they have convincing evidence that the officers of the reserve banks are endeavoring to help them and not injure them. The psychology of this situation is simple enough after all. Let the reserve bank officers invite these gentlemen to meet them to discuss plans for mutual benefit and show them that we are willing to help within the scope of the law.

It seems to me the line of Brown acceptances is a fairly full one although, as Mr. Jay will tell you, Jim Brown is an exceedingly careful and conservative banker. The affairs of that firm according to the statement made to us, are so conservatively handled that I would not feel uneasy about this line or even a larger one if any emergency necessitated enlarging it. I am writing Jim Brown as you suggest. On the question of lines generally, I will write separately.

Thank you for sending the documents to Pallain. Mr. Curtis has written me about the letter and I will revise it to cover the points raised.



To Mr. Treman.

Nov. 7, 1916.

The other matters mentioned in your letter will be covered in one I am writing Mr. Jay to-day or to-morrow.

Best regards to all of you.

Very sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM

COPY



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November 7th, 1916.

Dear Mr. Treman:

The daily statement now shows our holding of gold bullion as distinguished from coin and I am taking the liberty of suggesting that in the figures we publish we should not separate these but should show it as one item: "Gold Coin, Gold Certificates and Bullion". This particular account should not be so exposed as to disclose to the public what we are doing, which would be somewhat upon the same principle that the Comptroller is now authorizing national banks in reporting their reserves to show as one item, "Cash in Vault and Due to Federal Reserve Bank."

Very truly yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM

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November 8th, 1916.

Dear Mr. Treman:

The weekly report of November 2nd contains one or two matters to which I want to refer briefly:

Mr. Hendricks is working on certain suggestions which we discussed when he was here and one of these is the whole subject of Clearing House charges and our relations with the Clearing House. I certainly hope that the inconsistencies now perfectly apparent in this matter can be worked out and eliminated. I won't go over them in detail for Mr. Hendricks is thoroughly posted.

I have been disturbed by the attitude of the Reserve Board in ruling that business custom does not justify granting permission for national banks to accept finance drafts which are drawn for the purpose of making trade settlements by the banks of Europe. It makes us the tail of the kite. We cannot establish a business custom between this country and some other country until the principal banks of Europe have taken the lead by establishing such a custom. It may be that the statute is too restrictive to permit any other ruling, but I believe the Reserve Bank of New York can afford to make representations to the Board pointing out the fact, which is a well-established one, that New York banks for many years have drawn finance drafts on European banks in anticipation of our exports of cotton and grain. Bills of that character are recognized in both London and Paris as being legitimate finance bills justified by our

To Mr. Treman.

Nov. 8, 1916.

seasonal business and they have the highest standing in the market. Just now, conditions are reversed. English <sup>and</sup> Continental banks wish to draw bills on New York banks. Why is it not perfectly appropriate for the Board to rule that a custom has already for many years been established and give the necessary ruling? At any rate, I would like to have opportunity to argue the question with them. Please bear in mind that Warburg's experience in these matters has been confined to his banking experience while in Germany and London, and he has not had occasion to deal practically with these matters from the American standpoint since coming to this country. He may not appreciate what an important part these finance bills have played in our business with London and Paris in past years.

The Board's ruling in the case of South America, of which Mr. Kenzel writes me, of course is perfectly sound.

Very truly yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM



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November 8th, 1916.

Dear Mr. Treman:

I enclose copy of a letter I am writing Jim Brown about his firm's acceptances, which I hope will entirely meet your views. In case you feel that this letter is a little too frank, let me explain that Mr. Brown is not only a very warm personal friend, but in some of these matters I have consulted him rather freely in order to get his judgement.

The boys sent me a statement showing the lines of bills we are now holding, and only the following comments occur to me:

Fourth-Atlantic National Bank, Boston, \$150,000.

I know little about this bank but presume that Aiken has checked it and we have full statements.

Bank of Charleston, \$50,000.

This is a fine old bank but should not command such rates as apply to New York prime bills.

Anglo South-American Bank, \$73,523.74.

This is a comparatively new name. I checked it up abroad if I am not mistaken and got only a fair report. The line seems all right and I presume the bills are endorsed anyway.

Brown Brothers & Company, \$2,216,588.02

Covered in separate letter.

Muller, Schall & Company, \$36,520.31.

I am not sure whether these bills are endorsed. It is a name to be taken very cautiously and only after careful investigation.

National City Bank, \$76,099.69

They should give us more of their bills unless

To Mr. Treman.

Nov. 8, 1916.

of course, they are distributing them to their correspondents.

Balfour, Williamson & Co., \$176,095.62

Kains can give you some information about this name. It is an English concern and a very old and respectable one. I know the head of the firm in London, Sir Robert Balfour, who is a Member of Parliament and stands high in the city. This firm however never makes a statement. They have offices in London, New York and San Francisco and on the west coast of South America. While I regard the bills as absolutely good, I would not buy them without responsible endorsement unless we get satisfactory statements from them.

The long list of names following Balfour, Williamson & Company I presume all bear endorsements of responsible banks or bankers. Some of the names are entirely unknown to me, others only slightly known. While I would not discriminate against any bills drawn or endorsed by German banks in South America, I think ordinary prudence requires that we have good endorsers or acceptors for all of that paper.

F. A. Klingsmith, New York, \$60,435.71

If I am not mistaken, this man is in the employ of the Bank of New York and the bills doubtless have good endorsements. The question arises however, as to the character of these bills and the legal status of the acceptors. It might be well to look into that situation a little.

Merchants National Bank, Worcester, \$357,830.50

This is a good line for a comparatively small bank but I presume Aiken knows all about it and checks it.

F. D. V. Telfair, Paris, \$1,500,000

This name is unknown to me, but I presume checks up all right with endorsers, etc.



To Mr. Treman.

Nov. 8, 1916.

Generally speaking, the statement of foreign trade acceptances strikes me as being very conservative and well within the limit we are justified in carrying. The same applies to the list of bills of private bankers, the only special remarks being those in my separate letter about Brown Bros.

I know Mr. Kenzel is watching this matter with a great deal of care and intelligence, but the business is new and it might be well to caution him to take nothing for granted. This is peculiarly the case where we act for the other reserve banks. I return the list herein.

Very truly yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM



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November 14th, 1916.

Dear Mr. Treman:

I have yours of the 9th and 10th and thank you heartily for all the news.

Do I understand from yours of the 10th that Warburg thinks that the present ruling of the Board would justify our banks in accepting bills drawn by English and Continental banks for the purpose of making dollar exchange? If there is any possibility of starting that practice, I think we should take advantage of it. The most important development which can now be encouraged would be to have the Colonial banks draw bills on New York, particularly those located in the East. It is too obvious, of course, to necessitate any argument.

I had a talk with Senator Thomas last week about the legislative program for the next session of Congress and he says that except by unanimous consent there is not the slightest possibility of getting any measures through the Senate and House. That means, of course, that amendments to the Reserve Act must originate with the Reserve Board, come before the Committees of Congress and very strongly supported by the reserve banks, be dealt with as non-partisan legislation. It can be done if handled right and the only amendments I am interested in are those having to do with our currency, concerning which I have written separately. That is the only matter in which I am doing anything and to be effective, it must be dealt with by the Governors.

To Mr. Treman.

Nov. 14, 1916.

I am sorry to hear that Mr. Jay was laid up.

Something contained in your letter and previous letters indicates that possibly you and Mr. Jay in dealing with our member banks in New York are developing the habit of going to their offices to discuss matters with them. It is a small matter and I do not want to assume that I am entirely right and you entirely wrong in a little matter of policy, but I really believe it would be wiser in the long run to train those fellows to come over to the Reserve Bank when they are wanted. I have not hesitated in the past to ask any of them, Vanderlip, Jack Morgan, Alexander, or whoever it may be, to come to the bank, and while it is a trifling matter, it is nevertheless one of those little things which it seems to me should be regarded in developing customs. This is just a suggestion.

My best thought about dealing with the State Department is to ensure our having opportunity to make our own arguments on the question of neutrality and on the merits of the whole proposition as to foreign accounts.

I do not like Mr. Gedney's plan and fear that it will work well enough to aid in effecting a postponement of consideration of more important plans for currency legislation. So long as we are importing gold, I do not think any real danger will arise as to our reserves and it is no exaggeration to say that I have always pressed this matter with the Board and with the other reserve banks very largely for the purpose of demonstrating how weak our currency position is.



To Mr. Treman.

Nov. 14, 1916.

I hope you are successful in effecting a more equitable division of investments.

It is certainly desirable to shift as much of the speech-making and of attendance at conventions, etc., to the men whose names you mentioned. It is good practice and good education, but it might be well to review what they contemplate saying.

I would like to see that difference account reduced to smaller figures. As long as there is any difference net, there may be some large differences, gross.

My recollection of the arrangement with Mr. Sailer was that his salary would be increased at the end of a year if his services were satisfactory. That matter is of record in the bank, probably in the minutes and, certainly, in my private files.

Thank you very much for your good letters.

Sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM



November 14th, 1916.

Dear Mr. Treman:

I have recently been in correspondence with Dr. Miller of the Reserve Board in an effort to get him to modify the views which he expressed in his Indianapolis address on the subject of issues of Federal reserve notes.

He has now sent me in confidence his memorandum No. 854 prepared for his associates on the Board in which his views are very definitely set out and I find him altogether opposed to the proposal that the gold which we receive through issues of notes should be made to count as part of our reserve.

This opposition, I am rather surprised to find, is based largely upon the view that to make Federal reserve notes reserves for member banks and to fully develop the note issue powers of reserve banks would eventually make a great central bank of the Federal Reserve System. This is the most important argument not dealt with in his Indianapolis address.

In the last letter I had from him, he states that he would be inclined to subordinate his views to those of his associates if he finds himself alone or substantially alone in disagreeing with them and states that he thinks this question is of such great importance that the Reserve Board and the Governors of the reserve banks should at once take it up for discussion and endeavor to agree upon a policy.

To Mr. Treman.

Nov. 14, 1916.

Of course, this means that if all the Governors are in agreement and make strong representations to the Reserve Board, they may be able to get practically unanimous support from the Reserve Board to plans for amending the Act.

May I, therefore, suggest that a letter be prepared and sent to all the Governors prior to the next meeting, requesting that each of them consider the subject prior to the next meeting and be prepared to discuss and vote upon, say, the following questions which are only tentatively suggested:

1. Should the greenbacks be retired?
2. Should the retirement of national bank notes be accelerated?
3. Should Federal reserve notes issued against gold count as liabilities and the gold so obtained count as an asset of the reserve banks?
4. Should member banks be permitted to count Federal reserve notes as cash reserves?
5. Should our currency laws be so amended as to vest discretion in some government body or official so that the denominations of silver certificates and gold certificates could be readjusted from time to time and thereby become a means of forcing more silver certificates into circulation and more gold into bank reserves?

These questions can be elaborated to suit your taste. If a constructive program should be discussed, my suggestion would be that the meeting be asked to vote upon various methods which might

To Mr. Treman.

Nov. 14, 1916.

be employed for perfecting a complete reform of our currency.  
I won't elaborate this as I think you and Mr. Jay already  
know my views.

With kindest regards, I am,

Sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

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COPIED



4100 MONTVIEW BOULEVARD  
DENVER, COLO.

*Submitted to  
+ gay*

**FELIX W. WELLS**  
**FEDERAL RESERVE BANK**

*In case - please see  
me abt this*

*PJ*  
*[Red signature]*

November 17th, 1916.

Dear Mr. Treman:

I have been doing a little work with Professor Kemmerer of Princeton University in connection with their course in Economics and last Spring arranged to assist the University in getting the documents mentioned in the enclosed letter.

On account of my uncertain absence, it seems to me a good deal better to have the correspondence and all the data handled at the office in New York, and I am sending the papers to you to ask if you could have a letter prepared to each of the institutions named, addressing it if possible, to the President, Governor or head in each case, explaining the character of the request and enclosing with each one a copy of the letter addressed to me, which gives the signatures of all the men connected with the course in Economics.

The letters when prepared I will be very glad to sign and I presume it will be proper to send them on the bank's regular letterhead. These letters should request that the reports be addressed directly to the Pliny Fisk Statistical Library, Princeton University, Princeton, N. J.

This is in the nature of a public service which I think the bank can well afford to promote.

Sincerely yours,

*[Handwritten signature]*

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

178

November 17th, 1916.

Dear Mr. Treman:

I have been doing a little work with Professor Kemmerer of Princeton University in connection with their course in Economics and last Spring arranged to assist the University in getting the documents mentioned in the enclosed letter.

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This is in the nature of a public service which I think the bank can well afford to promote.

Sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.



November 18th, 1916.

Dear Mr. Tremen:

Yours of the 14th is just received.

I do hope Mr. Jay gets about in good shape and is not rash in coming out too soon.

Thank you for the clippings. I believe Mr. Glass is an honest earnest and public spirited representative, far above the average in Washington, but he is no man to be at the head of the Treasury. His health is poor, he is excitable and rather truculent and all of his knowledge of the work of that department is theoretical. I would be very sorry to see the appointment made because I would consider him an unfortunate driving force in the Reserve System where his radical ideas might prove a disturbing influence. His insistence upon an unsound collection plan in the earlier days of our development caused us all a good deal of trouble and uneasiness, but I must say his acceptance of the present conservative plan shows that in that matter at least he was willing to have an open mind.

I have already written you about the Gedney plan. The report the boys made seems to me all right so long as they stick to the recommendation of the last paragraph of the second page. It is a good scheme to have the plan all ready for operation, but I would not think of attempting to operate it now when we are able to deal with greenbacks and silver certificates by a less expensive, and for the time being, effective method.



To Mr. Treman.

Nov. 18, 1916.

In answer to what you say about finance bills, won't you ask Mr. Kenzel to show you my letter to him which I think covers exactly the point you raise. If the drafts are so drawn that they can be identified with exports, they would be covered by the original provisions of the Act. If they can not be so identified and reliance is placed upon the amendment to the Act, then I fear the Board will never sanction drafts of the character Mr. Gardine suggests.

I am not sure that the officers of the bank and members of our Board have understood each other in regard to our open market rate policy mentioned in your letter.

The object of advancing rates by a reserve bank is, of course, to build up reserves and pull in money and thereby influence higher money rates. Our raising rates at the present time would not have that effect and would be at the expense of our earnings. If we had a hundred millions invested in New York and needed only fifty millions to pay our expenses and dividends, we might certainly be justified in advancing rates now, throwing the burden of carrying sixty millions, say, of our investments on to the general market, but we have to expand before we can effectively contract and to pull in the few million dollars which would result from this advance of rates, would be negligible in the present expanded situation and would simply cost us earnings. I am sorry to disagree with such authorities as Alexander, Hepburn and Vanderlip, not to mention your good self and associates.

To Mr. Treman.

Nov. 18, 1916.

Rather than make any general advance in rates, might it not be wiser to mark up our rates a trifle on purely finance paper, which is what the Reserve Board wants and which would, of course, have some effect as to that particular class of paper? Personally, I doubt if I would do it at all except, as a concession to their feeling and possibly the feeling in our own Board, it might be a good plan.

I have written Mr. Warburg about the \$5 gold certificates and will send that article for publication just as soon as I have assurance that it is not going to give offence in Washington.

About the fiscal agency matter, I think if we are going to do a lot of work for the government, we ought to carry a larger proportion of the General Fund, using national bank depositaries as collecting agencies for revenues paid outside of our own reserve cities and we, of course, making disbursements.

I am in favor of buying more 2s, if we can get assurances from Washington that conversions will be promptly made.

The mail has been rather heavy lately so I am trying to condense my letters.

Best regards to all of you.

Faithfully yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

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178

November 20th, 1916.

Dear Mr. Treman:

Monday is always a heavy mail day so I will send only a condensed reply to yours of the 16th.

The rate changes can be better determined on the ground than by me out here. The program is not exactly the one outlined in my last letter but I have no doubt is all right. Rates on bills of commercial character can easily be reduced at any time and those for finance paper left at the new level if that later seems desirable.

There are some disadvantages in having a committee of bankers meet the Board as you suggest. As I recently wrote Warburg, we must not let the New York bankers gain the impression which they could very easily gather from suggestions of this kind, that the New York bank is obliged to ask permission from Washington every time any important matter comes up. We will lose the leadership which the Reserve Board wants us to develop. Personally, I would like to see advantage taken of the presence of members of the Reserve Board in New York from time to time to invite local bankers to our office to meet them. This is only a suggestion.

I like your letter about the gold very much. My thought was to send out two or three to your best friends, following



To Mr. Treman.

Nov. 20, 1916.

them up with others if you found the response favorable. If too many are sent at once, some one is sure to talk and it would be unfortunate to have it get into the newspapers. There is danger in advertising the necessity for sorting currency. It is one of those curious suggestion which sometimes work on the mind of the public to develop to panicky feelings.

I do not understand the ~~gas tests~~ for the vault. Are they satisfactory or not?

Thank you very much for the full report. The following comments occurred to me about Mr. Kenzel's memorandum:

Bank of Charleston: 2 3/4 strikes me as a pretty low rate for this paper.

Anglo-South American Bank: The names of the drawer and endorsers make these bills good and I have no reason to doubt the goodness of the bank itself.

Muller, Schell & Company: This name ought to be strictly limited and the Bank of the United States as an endorser does not add much strength to the paper.

Klingsmith: If he is acting for the Bank of New York, I would not buy the bills simply upon the guarantee of endorsement by the Bank of New York. They give an unqualified endorsement of the bills and I am wondering whether Mr. Curtis is satisfied that all questions of "consideration" are fully covered by the arrangement between Klingsmith and his employer.

Telfair: The same remarks would apply to this that apply to the Klingsmith bills.

To Mr. Treman.

Nov. 20, 1916.

Mr. Curtis' letter about Mr. Starek has not yet arrived  
and naturally my curiosity is aroused.

With kind regards to you all,

Sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
New York City.

BS/VCM

COPY

November 20, 1916.

PERSONAL.

Dear Mr. Trenant:

I have not been very good about letters lately but the fact is I have had a very much larger correspondence than any of you realized, endeavoring among other things to stir up the members of the Federal Reserve Board without being offensive, to start something going in the way of currency legislation and to keep things smooth about these foreign credits. Besides that, as you know, a certain amount of time spent in the open air is necessary every day.

This is to tell you about myself. The doctor is still most encouraging in his reports. I see him at least once a week when he makes me strip and examines me with the utmost care. I have had a sputum examination made recently from which he discovers that the number of TB bugs is less than one-fifth of what they were when he made the examination last July and, as he says, they are getting very languid and tired. When he examined me on Friday, there was no sound of moisture in my lungs at all; by moisture, he means the accumulation of secretion caused by irritation of the areas of infection. About a month ago, I had a slight infection in my right lung caused as he thought quite naturally and probably inevitably, by coming down here from the Park members to this altitude and to somewhat less pure air. Soft coal smoke



To Mr. Treman.

Nov. 20, 1916.

was a very likely cause. He got at it right away and since then I have been tattooed like a South Sea Islander with iodine. The spot has entirely cleared up and the only very unfavorable development is an occasional digestive upset caused almost inevitably by taking more food, particularly cream, than I have been accustomed to for years.

There is always the possibility that I will not be able to live in the New York climate again or possibly to live there for long periods. I frequently feel guilty in retaining my position at the bank, and personally so in regard to your affairs when I realize the extent of the sacrifice which you are making, largely for me as well as the bank, and that I have no right to ask or expect it.

If you and the others think that a time is approaching when a time limit should be put on my enforced absence, I am sure that I have written strongly enough on this subject to make you feel justified at any time in so advising me.

At this writing, unless I should show unexpectedly rapid improvement, I really do not see how it is possible to plan for my return at much under a year from now. Sometimes I have thought of suggesting that my place be filled or, at any rate, that a permanent Deputy Governor be appointed right away who would be competent to fill my position, and then if I were able to get back only temporarily, the Board might be willing to let me go abroad and finish up our foreign arrangements and then finally retire.

To Mr. Treman.

Nov. 20, 1916.

Some time ago I told Dr. Sewall that I would want from him in the near future a full written report of my present condition and prospects of my complete recovery intending to send it to you and to the Board in Washington. Warburg came out here, however, and saw Dr. Sewall and got the whole story from him, so I have not asked the doctor to prepare a report. I will do so if you think it would be desirable.

It is unnecessary for me to repeat that I feel a very deep obligation to you and, in fact, to all at the bank, as well as the members of the Board, for showing me a good deal more consideration than I think circumstances really justified. Please write me frankly if you feel that it is time to do something.

With warmest regards,

Faithfully yours,

R. H. Treman, Esq.,  
Federal Reserve Bank,  
New York City.

BS/VCM



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November 22nd, 1916.

Dear Mr. Treman:

Yours of the 17th is just received.

It seems quite desirable to meet Warburg's views about a rate differential. I have come to that conclusion rather reluctantly but feel after all that it is advisable. Am writing Mr. Curtis about the whole subject of renewal credits.

As to the general level of our rates, the comments of bankers thereon and particularly Blumenthal, I would not personally be too strongly influenced by their views. All the bankers want to see their surplus funds profitably employed. They all exaggerate the influence of our operations upon rates and I think, almost without exception, they overlook the ultimate advantage, which is to get a large volume of business which can be directly influenced by the maintenance of low and stable rates for commercial bills in this country. I believe I have written and stated this ten thousand times in the last two years, - but it cannot be stated too frequently, - that it is the strongest and most effective influence for the establishment of dollar exchange.

You have already found no doubt, as I did, that it requires a mulish disposition to stand out against the current of opinion.



To Mr. Treman.

Nov. 22, 1916.

Do not worry about my overworking. I have recently had more mail than for some time past, but it does not take me long to dispatch it. Thank you for your constant thoughtfulness.

Best regards,

Sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM

COOPER

170  
November 25th, 1916.

Dear Mr. Treman:

I have written you and Mr. Curtis about various suggestions for discussion at the Governors Conference on the 11th and am now inclined to recommend that the meeting be asked to consider the subject of arrangements for appointment of foreign correspondents.

There is some doubt in my mind as to the wisdom of submitting in detail the Bank of England memoranda. It is imperative that nothing should be made public in respect of that matter, as my engagement with Lord Cunliffe was not to permit publicity without the consent of both parties. I see no reason, however, to defer discussion of the plan outlined in the letter which I sent you for managing such an account for the twelve reserve banks. My suggestion, therefore, is that the letter be mimeographed and submitted to the Governors at the meeting with a statement of the negotiations with the Board and the State Department and that all progress possible be made in the direction of concluding arrangements promptly between the reserve banks. This should be done in such a way that we are protected from any "leak" by reason of submission of the matter to the respective Boards of Directors. If you and the others believe that it is safe to go into the terms of the proposed arrangement itself, I do not want to obstruct progress by suggesting that this is not the thing to do.



To Mr. Treman.

Nov. 25, 1916.

The most important thing is to put the Reserve Board into motion so we can get some sort of reply from the State Department. I urge very strongly that personal unofficial inquiry be made at the State Department in advance of the possibility of any official decision which may be adverse, for if they are inclined to an unfavorable opinion, I would be strongly tempted to go to Washington and take the matter up personally, if the Board had no objection to my doing so.

My old friend, Mr. Robert Masson of the Credit Lyonnais has recently been detached from the French Army and sent over here to represent the French Government in negotiating financial arrangements. He has been out here spending two days with me and I have asked him to call on you at the bank as soon as he reaches New York. He is a man of very great ability and enjoys Mr. Ribot's confidence. While we none of us have any particular interest in the negotiation of the French Government loans, I thought you would enjoy hearing what he had to say about conditions in France and particularly his interest in developing the use of dollar exchange in connection with French imports from this country. We have discussed quite fully the possibility of an arrangement with the Bank of France along the lines of those considered in London and he tells me that M. Pallain, he is satisfied, is favorable in every way to the suggestion and he personally believes that a close arrangement between the Bank of France and the reserve banks would prove of great advantage to both after the conclusion of the war.



To Mr. Treman.

Nov. 25, 1916.

I arranged a little luncheon for Mr. Masson here when he met most of the local bankers and they were tremendously interested in hearing him talk.

Won't you let me have your views in regard to the suggestion for the meeting?

Sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM

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November 25th, 1916.

Dear Mr. Tremen:

It has disturbed a good deal to realize that Mr. Jay who has written me from his house, making light of his illness, has really been laid up for ten days and possibly quite ill. Dr. Tremen must take him in hand and make him behave. I am reading him a lecture myself to-day by separate letter.

The decision to continue the correspondence about gold certificates by personal letter rather than by circular, is certainly wise. It is really a matter that should not be agitated publicly.

About the conference of auditors and transit men, my only suggestion for Mr. Jefferson is to urge cooperation among the auditors to bring about as nearly as possible absolute uniformity of methods in all departments and to reduce and simplify the volume of statistical material now being prepared for Washington.

As to the transit men, I would like to see them work out some scheme looking towards progress in the matter of domestic exchange.

There is no news beyond what I am sending you in a separate letter. I am taking good care of myself, following

To Mr. Treman.

Nov. 25, 1916.

doctors' orders and when I say "doctors" I mean plural because I seem to have a good many, including some right on the ground here.

Best regards to all the boys at the office.

Sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

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Zp1 Murray

To Mr. Treman.

Nov, 28, 1916.

If you do not agree with me in this it is because you have are much more charitable and a great deal more confidence in the good will of human nature than I have. In my experience, New York bankers generally go to Washington when they want something. The mere fact that they want something arouses distrust and opposition. If these matters can be arranged through the intervention of the Reserve Bank, much of that would be avoided and better feeling result. So I am sorry to be obliged to state frankly that I disagree with the views expressed in your letter.

About currency matters, Mr. Jay has just telegraphed me on the subject and I am writing him a long letter which will answer your inquiry. I have already written you to what extent I have urged action at Washington, this consisting of recommendations repeated to Mr. Jay with the additional statement that a program of this sort successfully carried out by the Democratic party would complete the Reserve Act legislation and be the greatest achievement of any administration in the way of constructive reform. There is little more that I can do from here. I have even urged the Board to take the matter up with the President and try to get him to put it in his message to Congress, but have not yet heard what they propose to do about it.

My mail fluctuates a good deal, some days, particularly Mondays, being quite heavy. Dr. Sewall stopped to see me yesterday and told me that while I was doing wonderfully well, he would be glad to have me take a little more rest for various

To Mr. Treman.

Nov. 28, 1916.

reasons and temporarily at least I am going to reduce work. I  
am all right, so you do not need to feel uneasy about me.

Many thanks for your bully letter.

Faithfully yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM

COPY

To Mr. Treman.

Nov. 28, 1916.

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am all right, so you do not need to feel uneasy about me.

Many thanks for your bully letter.

Faithfully yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM

COPY



November 28th, 1916.

Dear Mr. Troman:

Our extensive correspondence on the subject will have made clear to you my views about these foreign credits under differential rate. Mr. Kenzel writes me about proposed action by our Board and asks for telegraphic reply which I have sent as per enclosed confirmation. Am writing so as to discuss another feature of the matter.

I have been conscious of the possibility of the Reserve Board taking a very radical position about these renewal credits and of the further possibility intimated by Warburg in a recent letter that the Comptroller would notify national banks that revolving credits of that character were ultra vires. Besides that, I have long had a feeling that I have been exceedingly rigid and stiff-necked in my attitude towards the Board on these matters whenever we disagreed. Wishing, therefore, to avoid an issue which might result in some radical ruling and not wishing the Reserve Board to feel that I was trying to unduly influence either the New York Bank or the views of the members of the Board themselves, I reluctantly recommended establishing a differential between regular bills and those issued under renewal credits in order to convince the Board that I did not take the position that I was always right and they were always wrong.

To Mr. Treman.

Nov. 28, 1916.

My personal view is that a differential between one bill accepted by a national bank and another bill accepted by the same bank is an anomalous treatment to accord to that bank and would lead to untold difficulties. Discrimination of that character should be applied when any given bank is accepting excessive amounts of bills and if we thought any bank, such as the Bank of Commerce, was accepting an excessive amount of French finance bills, then our policy would be discriminate against all bills accepted by the National Bank of Commerce, rather than some of the particular bills which they had accepted.

I have further felt that it is quite reasonable for the Reserve Board, which is really ultimately responsible, to be satisfied at all times that the Reserve Bank of New York which invests for the whole System, is pursuing a conservative course as to the amount of paper which it purchases, particularly the amount of any one class of paper which might indicate undue preference for any particular type of business or bills of any particular institution or class of institutions.

A differential in rate if we decide to establish it ought to convince the Board that we respect its views and are not pig-headed about these matters, so reluctantly I wrote you recently, urging this change in our policy. I would not be honest, if I did not tell you frankly that I personally do not think it a wise one and that it will prove to be impracticable, but it can be better proven by experience than by letter writing. If I am wrong, I would naturally like to be shown.



To Mr. Tremen.

Nov. 28, 1916.

W. G. M.

Since sending the telegram enclosed, the Denver papers give an account of an announcement by the Reserve Board in regard to these foreign credits. This is not a matter in which I feel that I am justified in attempting anything in the nature of a protest. The Board is at liberty, of course, to express its views on any matter, but candidly I do not entertain their views on this subject and believe that this announcement is the worst mistake that could be made at this time. My own conception of the country's policy is radically different from theirs. Instead of imposing restraint upon financial transactions which are necessary and inevitable under present conditions of our export trade, I think the efforts of the Reserve Board and of the Reserve Banks, both practically and by advice and influence, should be to develop safeguards so that this commerce and the financial transactions resulting from it will not later prove ammenace. This can be best done by fortifying the reserve banks and by suitable currency legislation. Such a course would be constructive rather than repressive and I greatly deplore this evidence of what I fear is timidity in the face of a situation which requires a really bold and constructive policy.

The Board would be right in making this announcement if they thought that loans to belligerent governments would not be paid. They say in their statement that they have no such thought but the mere fact of making the statement discloses that it is there, although possibly latent.



To Mr. Treman.

Nov. 28, 1916.

Issues of Treasury bills by France and England we are not concerned with but as general supervisors of member banks it may possibly be some concern of the Reserve Board or certainly of the Comptroller's.

I hope the matter passes off without difficulty, but have very much fear it will have a disastrous and depressing effect.

With warm regards, believe me,

Sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM

December 2nd, 1916.

Dear Mr. Treman:

This is answering yours of the 27th.

The action of the Board in the matter of acceptances of course pleases me for two reasons: one is that notwithstanding my suggestions about a differential, the Board has seen fit to follow a course which I cannot help but state honestly appeals to me as the best; the other is that you and your associates do not feel that you must be too much influenced by the detached view I have in these matters at this distance from the seat of affairs. I am sure things will go all right in Washington.

There has been so much discussion about gold recently that I suggest caution in a general circular to member banks throughout the country about depositing gold. We have no means of retaining it until our note issue is made right and it will really involve expense without much gain, except to the extent that our small denomination notes are carried in the pockets of the people.

I would be glad to learn further developments in the Starek matter as any change would make it desirable for us to submit recommendations concerning a successor.

Best regards and thanks for all the news.

Sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Cavendish Building.

December 6th, 1916.

Dear Mr. Treman:

Replying to yours of the 28th, I am glad the Board made no change in rates, but realize of course that it may be forced on us and certainly the situation is one that will bear careful watching. A change in our rates would have a greater effect sentimentally than actually and I hope the Board will always have this in mind. Am writing Mr. Curtis separately on this subject.

I would not be at all averse to accumulating more bills and as our holdings increased letting warrants run off. We are finally reaching the point where our policy will have some importance in the market, consequently, no change would be desirable which would have a disturbing effect.

About the lines, I assume that endorsements are not shown for many of the bills held such as Lee, Higginson, et al, but only the following comments occur to me:

Guaranty Trust Company: This is the largest line on our books and except in an emergency, in which case we would only get endorsed bills, I see no good reason for going much beyond the present amount. On the other hand, many of the bills included in this line may be already endorsed, in which case I should consider the line fairly moderate.



To Mr. Treman.

Dec. 6, 1916.

Ladenburg, Thalmann: I judge these bills bear member bank endorsements.

Lazard Frères: These also I suppose bear member bank endorsements.

Muller, Schall and Company: This is probably endorsed and I have already suggested great caution of that bill.

Whitney Central National Bank: This bank should not get any such rates as the best New York banks enjoy. In former years, the Whitney Central has been the heaviest borrower in the national system and while I have no doubt it is perfectly good, it is not entitled to the same rate that a bank of even equal size in New York City would enjoy.

The Third National Bank of Springfield: I know nothing about this name.

All the names following the Third National of Springfield would indicate that they are endorsed bills and if they were not endorsed, I certainly would not take even as much as we now hold of Balfour, Williams & Co., Hadden and Tata.

I am not well enough informed in regard to the standing of most of the South American banks to be able to express an opinion and certainly would not attempt to do so from here without having available all the credit information in our files. It would not be fair either to the bank or to the endorsers and acceptors of these bills. This is the time, however, to watch these credits with the most discriminating care and I hope every avenue of information in connection with the various obligors

To Mr. Treman.

Dec. 6, 1916.

will be will be considered and the lines watched very carefully by the man in charge. Would you mind asking Mr. Kenzel to advise me of the status of the bills endorsed by those South American banks, as well as those accepted by various New York importers? The list is getting so long that I feel very much out of date as to my own information.

Thank you very much for all of your letters.

Sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM

December 6th, 1916.

Dear Mr. Treman:

Replying to yours of the 29th.

I am very glad to hear of Mr. Jay's improvement and also pleased that energetic steps are being taken to get after the state banks. In that matter, I would repeat the suggestion in my former letter that wherever personal acquaintance of officers of state banks can be used as the basis of correspondence with them, it will be found more effective than either general circulars or visits with officers of the banks where no personal relationship exists. Personal visits, however, are undoubtedly necessary and I think the time has come to get after all the state banks with great energy.

Replying to inquiry about renewal drafts. I do not think the lines are excessive as shown by the statement, either by our bank or the other reserve banks, but really that is hardly the way to judge of this matter. We should base our consideration of lines upon the character and responsibility of the acceptors. We hold, for instance, only \$500,000 drawn under the de Neuflyze credit. These bills might all be accepted by, say, one of the smaller banks like the Bank of New York and we might hold in addition two or three millions of their bills by the same acceptor and the basis of discrimination would not be the character of this particular \$500,000 of bills, but the total



To Mr. Treman.

Dec. 6, 1916.

line of the Bank of New York. This illustrates the difficulty of discrimination and between bills of this character and any other character. I am writing separately regarding the lines shown in Mr. Kenzel's statement sent me with yours of the 28th.

About gold certificates, it is a good thing to have the stream coming in but I doubt if it will be at all effective until the Act is amended.

Thank you very much for your letter.

Faithfully yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM

December 7th, 1916.

Dear Mr. Treman:

Some time ago I wrote Dr. Willis a little letter of welcome on his return from the Philippines and asked him for some account of his doings out there. In response, he sends me the enclosed letter and papers to which I have replied as per copy of letter enclosed.

There seem to be a good many reasons why Federal Reserve Banks should make every effort to form a connection with the Philippine National Bank, particularly as these institutions are fiscal agents of the respective governments and have a natural association through their connections with the Federal Government.

This is not a matter, however, which can be dealt with in any detail from Denver and I am taking the liberty of sending you the correspondence with the suggestion that you may feel willing to discuss the subject personally with Dr. Willis and with the Reserve Board when you are in Washington next week.

If this letter should reach the office after you have left for Washington, possibly your secretary will be good enough to forward it with the enclosures.

Faithfully yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

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December 6th, 1916.

Dear Mr. Treman:

The enclosed statement which I understand is the one given to the press, it seems to me has now become misleading in that it fails to give the details on both sides of the various accounts and might lead to the conclusion that the bank is losing money. The net figure of \$70,641.84 might well be construed as indicating an actual loss which was carried as an asset. Don't you think this can be put into better shape for the newspapers?

Faithfully yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank.  
Equitable Building,  
New York City.

BS/VCM



December 8th, 1916.

Dear Mr. Treman:

I am enclosing a letter just received from Monsieur Maurice Lewandowski, one of the directors and managers of the Comptoir National d'Escompte, which as you know is the second largest and most important joint stock bank in France. Lewandowski is an old friend who in former years was second man in charge of the foreign business of that bank. His senior, a man named Ulman, was regarded as having pro-German sympathies when the war broke out and after some difficult experiences was obliged to retire and was succeeded by Lewandowski.

Copy of my reply to his letter enclosed, details certain information which I have promised that you will send him and which I hope you will not hesitate to do quite fully. It does not seem altogether wise for me to conduct a correspondence of this sort when away from the office.

In general, let me repeat observations which have been frequently made in London on this subject of foreign bank agencies. While some of the English bankers have at times claimed that their business was taken away from them to some extent as a result of the liberality of the English law in permitting foreign banks to establish themselves in London, I think the soundest opinion in London is altogether favorable to this development on the ground that it brings just so much grist to the English banking mill. There are no less than 150 foreign bank

To Mr. Treman.

Dec. 8, 1916.

agencies in the City of London. They do an immense business and they, together with the English, Colonial and foreign banks, furnish the London discount market with the great bulk of bills for which that market is famous. Taking, therefore, the broadest view of this subject, I would personally do everything in my power to facilitate such a first class foreign bank as this one in establishing itself in New York.

During the past four years, the French joint stock banks have been very severely criticized for doing a lot of bad banking. The Credit Lyonnais, which is the largest and strongest, entirely escaped this criticism and its management has always been above reproach. The Comptoir National d'Escompte was subjected to some criticism, not because they had made bad loans and investments so much as because they had established their system of branches, it was claimed, more rapidly than was justified and some of their branches were not profitable. When I was in Paris, Lewandowski showed me their figures which disclosed that they were carrying in excess of 50% of reserve of all their liabilities. Under the shelter of the French moratorium, all the French banks have cleaned house and aside from the hazards of war, I should say that as a whole they are in better condition than they have been for some years.

With this general statement, I hope you will feel willing to write Lewandowski very fully and send him all the data he asked for.

Faithfully yours,

R. H. Treman, Esq.,  
Federal Reserve Bank,  
New York City.



December 11th, 1916.

Dear Mr. Treman:

This is my first chance to answer your letters of the 5th and 6th which, however, were partly answered by my longhand letter of yesterday.

The rate situation it seems to me was handled perfectly and if some of the big New York banks would do some rediscounting, I think we could view the situation with equanimity.

I have written fully a number of times about Clearing House settlements and the boys at the office know my views quite fully. You will find Mr. Vanderlip with an open mind on the subject and probably Mr. Alexander as well. The matter should be arranged as soon as possible if the Clearing House will agree to it.

About our rates for acceptances, I doubt if it would be wise to advance it more than a fraction before the bank accumulates a larger portfolio than at present provided, of course, that we do not get swamped with special lines which might become embarrassing. My recommendation about a differential was, of course, made in deference to the wishes of the Board, but my confidence in their judgment has had a sad jolt lately on account of that wretched announcement of theirs.

As to yours of the 6th, I agree entirely with numbers 1 and 2. As to number 3, I really feel that you and the others



To Mr. Treman.

Dec. 11, 1916.

have greatly exaggerated the importance of my connection with the bank. As to number 4, no one could have handled the situation with greater tact and skill than you have and your willingness to continue takes a great load off of my mind. If I am not back there by next Summer or early Fall, the bank should not wait for my any longer.

I am satisfied that if I do return to the bank, it must be under some arrangement by which I need not keep the long hours or take as much work home as I have done in the past and that means, of course, more help in the bank and a permanent Deputy Governor, who could step into my shoes at any minute, either temporarily or permanently. If Aiken were available, that would be a fine solution, but on no account should you and the others feel that the interests of the bank should be in any way sacrificed in waiting for my recovery or take any chances as to my returning permanently.

There are four things which I am anxious to see accomplished and which I would make every sacrifice to promote. One is the conclusion of our foreign arrangements, another is a more satisfactory solution of the domestic exchange and collection system, the third is to see the Reserve System successfully meet the after-war crisis and the fourth is to see some sensible, up-to-date currency legislation adopted by Congress. These are the important things ahead of us just now and if it is worth while for me to continue my connection with the bank although a little

To Mr. Treman.

Dec. 11, 1916.

less actively than formerly, my work might be so arranged that I could give more particular attention to some of these matters, as you suggest, and be relieved of the bank detail. In any event, I am entirely in the hands of the directors to stay or go as they think the interests of the bank require and am more than grateful to you and to them for the unusual consideration which has already been shown.

With warmest regards,

Sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM

December 12th, 1916.

Dear Mr. Treman:

Thank you for yours of the 7th.

The result of the election is most satisfactory and while Mr. Carlton would have made a good director, it is far better for the bank to have Mr. Towne continue notwithstanding that it means a real sacrifice for him.

I am tremendously interested in the report you sent of discounts made for member banks in New York. \$16,000,000 of business in one day is really going some and it begins to look as though the Reserve Bank was at last a real bank. I think the situation has been admirably handled and the fact of our willingness under such conditions as those of last week to meet the requirements of our members in a big way and without material change of rate will have a greater effect sentimentally as I recently suggested, than actually.

The more collections systems there are, the more competition there will be; the more competition, the lower the charges, and I think every move such as that inaugurated by Richards and McDougal will eventually make our work easier. It does not worry me a particle.

I am without particulars so far about the decision of the Board in re foreign banking relations and as soon as they



To Mr. Treman.

Dec. 12, 1916.

are received, will prepare something to submit for your consideration. The matter really should be handled by a visit to London and my mind now strongly inclines to making a temporary arrangement with the Bank of England simply to get the machinery organized and explain to them that more extensive arrangements will be completed later by a personal visit.

Was anything done to bring the Committee of 25 bankers into relations with the Governors and members of the Reserve Board? If that could be done, I think the movement would be robbed of its dangers. You will recall I sent a suggestion along that line some months ago.

What McDougal said in his address, of which you sent me an extract, is true enough I regret to say and you will find much the same thing in the City Bank's last monthly circular coming from the pen of George Roberts.

Warmest regards to you all.

Faithfully yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM

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December 13th, 1926.

Dear Mr. Tremen:

For some time, I have been debating writing you this letter in regard to our arrangements abroad and the developments of the last few days seem now to make it imperative. A spare copy is enclosed in case you think it desirable to send it to Mr. Warburg.

I am advised by a telegram from Mr. Jay and a telegram and letter from Mr. Curtis that Mr. Harding had stated verbally to Mr. Jay that we might now go ahead and complete our arrangements in England but not to do any business under such arrangements as we may make without further authority from the Reserve Board. This is apparently the reply to a formal application made by our bank to the Federal Reserve Board in accordance with the terms of the statute, requesting their consent to the appointment of a correspondent in London, and naturally is not at all satisfactory to me for a number of reasons. Let me review briefly the occurrences leading up to the present situation:

After our Board authorized my trip to Europe and after advising the Federal Reserve Board informally of my intention of going and the object of the trip, I finally returned home in April and submitted to our Board of Directors and to the Reserve Board a formal and tentative plan for the establishment of relations

To Mr. Treman.

Dec. 13, 1916.

with the Bank of England. Shortly following that, a formal written request was submitted to the Reserve Board for its consent to the appointment of the Bank of England as our correspondent and for its approval of a plan by which other reserve banks could participate with us upon equal terms in our transactions through the Bank of England. This matter has been formally before the Reserve Board for seven and a half months, has been the subject of volumes of correspondence and of personal discussion, has been submitted to the State Department and finally after all this delay, the Board says informally in effect, without any written reply to our application, that we may complete the arrangements, but must not do any business.

You can imagine the humiliation to which we will be subjected if we now conclude our arrangements with the Bank of England and then are obliged to advise them that the Reserve Board has approved the plan in principle but was unwilling that we should do any business with them for the present.

I have given a good deal of thought to this matter and have come to the conclusion that it is time that a definite and positive request be submitted to the Board for its consent or its disapproval of our application to appoint the Bank of England our correspondent. Any consent with a string attached to it, as the present one, and any informal consent in reply to our formal application impresses me as being much less than the Reserve Bank of New York should expect from the Reserve Board.



To Mr. Treman.

Dec. 13, 1916.

After all, the principle underlying this matter is a simple one. The Board is authorized by the statute to give or withhold consent. It is not authorized to conduct the business, to determine what bills we shall buy or how much money we shall use in investing in bills abroad, nor is it expected to do more than generally supervise the operation of the System as a whole. The delay in saying "yes" or "no" to our application has already placed me in a position of a good deal of embarrassment and I fear has jeopardized the possibility of a successful conclusion of an arrangement of unprecedented importance to our banking system. Personally, I would have nothing further to do with negotiations abroad which might result in further embarrassment and criticism if the Board should determine that the Federal Reserve Bank of New York must do its business on "tether", so to speak, as seems to be indicated by Mr. Harding's advice to Mr. Jay.

There is no use of my concealing my true feeling in this matter either from you or Mr. Warburg or from the Reserve Board. I am grievously disappointed to have met with the resistance which has apparently developed in this important matter and to have been subjected to the criticism caused by this unfortunate delay.

I would greatly appreciate being advised of the result of a conference on this subject between yourself, Mr. Jay and Mr. Curtis.

Sincerely yours,

R. H. Treman, Esq.,  
Deputy Governor, Federal Reserve Bank,  
Equitable Building.

December 13th, 1916.

Dear Mr. Treman:

It has been whispered to me that some of our friends in Washington were stirred up at our free purchases of bills when money jumped up. On no account allow yourself to be in the least degree disturbed by such a suggestion. The Federal Reserve Bank of New York must be the judge in these matters and not a supervising body 250 miles away. The action of the bank in doing just what it did do was exactly right, was the strong policy and I would have been mortified and disappointed had any other course been followed. The thing to watch closely under such conditions is the line of credit of any one house or bank and I assume that this was very carefully considered in all purchases made. I would have enjoyed being there to have had a hand in the episode and particularly to answer any criticisms or suggestions from Washington, which I am sure were not justified.

Best regards.

Faithfully yours,

R. H. Treman, Esq.,  
Federal Reserve Bank,  
Equitable Building,  
New York City.

BS/VCM

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Denver, Colorado,  
December 15, 1916.

R. H. Troman, Esq.,  
Federal Reserve Bank,  
New York City.

Dear Mr. Troman:

Thanks for yours of the 11th from Washington which interests me very much. By now you will have read my letter about our foreign relations. Of course I am keen to get at it, but await reply from you or Warburg before preparing any letters, etc.

I wish you or Curtis would send me a full report of developments in Washington on this subject which becomes of increasing importance with any prospect of peace. I hope your meeting is in every way a success.

With best regards,

Sincerely yours,

BS/CC



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Denver, Colorado,  
December 15, 1916.

R. H. Troman, Esq.,  
Federal Reserve Bank,  
New York City.

Dear Mr. Troman:

Thanks for yours of the 11th from Washington which interests me very much. By now you will have read my letter about our foreign relations. Of course I am keen to get at it, but await reply from you or Warburg before preparing any letters, etc.

I wish you or Curtis would send me a full report of developments in Washington on this subject which becomes of increasing importance with any prospect of peace. I hope your meeting is in every way a success.

With best regards,

Sincerely yours,

BS/CC

copy -

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Augusta, Ga.,

December 19, 1916.

Dear Mr. Treman:-

In leisure hours, of which I have a few down here, I sometimes think of that plan of parring R.F. Bank drafts which the Richmond and other banks want. How does this strike you as a summary of the situation?

A year or more ago the F. R. Banks established a trassfer system for the use and convenience of member banks. Under this system and through the medium of the G. S. Fund, the F. R. Banks undertook to transfer funds between one another by mail without charge and by wire at a small charge. The theory was that funds which a member bank had in, say, Richmond, could thus be transferred on its order to the F. R. Banks of Dallas for account of any of the Dallas member banks, The G. S. Fund did away with interdistrict shipments of currency and therefore with the expense of making transfers. This saving was handed on to the members in the shape of free mail transfers.

This was sound and a proper service to render.

But, it is claimed, the members have not used it much because it is cumbersome and they would much rather draw their own checks. That can be arranged, I believe, with soundness and safety, if we follow the principles laid down in the transfer system, which are,

1. The member bank in Raleigh has the funds in the F. R. Bank at Richmond at the time the order to transfer reaches the latter.

2. The F. R. Bank of Dallas makes the transfer only on the order of the F. R. Bank of Richmond.

3. It is a transfer of funds from one district to another specified district.

4. The F. R. Bank of Richmond owes (and should pay) the F. R. Bank of Dallas the day Dallas credits the funds.

5. As this is done for the convenience of its members and without cost to itself the F. R. system makes no charge.

The same thing can be done as follows:

1. The Raleigh member bank draws its draft on the F. R. Bank of Richmond to the order of Rotan Grocery Co., Waco, payable at F. R. Bank of Dallas.

2. The Raleigh Bank advises the F. R. Bank of Richmond the particulars of the draft, the amount of which, on receipt of such advice, the F. R. Bank of Richmond charges to Raleigh's account.

3. The F. R. Bank of Richmond writes or if necessary wires the F. R. Bank of Dallas sufficient advice of particulars of draft to justify the latter in paying it when presented.

4. The F. R. Bank of Dallas declines to receive it if it bears the endorsement of any bank outside the district.

5. The F. R. Bank of Richmond owes (and should pay) the F. R. Bank of Dallas the day Dallas pays the draft.

6. As this is done for the convenience of its members, and without cost to itself, the F. R. System makes no charge. (Possibly it might charge the drawing bank the cost of telegraphing the paying F. R. Bank, but those banks which are so anxious to grant this facility to their members may be willing to absorb the charge. With proper coding it ought not to cost more per annum than an extra clerk or two which they would not hesitate to employ for the convenience of members. But I believe it is sound to charge the member banks the telegraphic cost, if any.)

Seay's plan to draw checks and par them all over the country of course goes too far and I believe has no chance of acceptance. His suggestion to call it "F. R. Bank Exch-

*Too long -*



meaning far broader than plan which I have outlined justifies. What he wants to do is to give Raleigh the right to draw, through Richmond, on New York and send the drafts to Waco to pay a debt there. This simply increases the volume of checks in transit, and vitiates that important principle which someone wrote into the collection plan, namely, that checks passing through the collection system must go directly to the district where they are payable in order to assure their conversion into cash as promptly as possible.

What Raleigh is entitled to do, and the F.R. System should help him do it, is to pay his debt in the Dallas District as cheaply as possible. This should be done by a draft payable at Dallas, not at New York. Not only does the draft payable at New York postpone for two or three days the final conversion into cash, but the transfer of the money takes a triangular course, Richmond - New York - Dallas, instead of a direct course, Richmond - Dallas.

"Exchange" has a much broader significance than the limited function which these transfer checks should perform.

The suggestions which have been made that the F. R. Bank of Richmond should "guarantee" the paying F. R. Bank, and that the amount of such drafts a member bank should draw ~~and~~ should not exceed at any one time ten percent of its capital and surplus are both sure indications of the fundamental unsoundness of the plan. They mean, first that the paying F. R. Bank does not know whether the drafts are good and therefore cannot trust the F. R. Bank of Richmond surely to pay them; and second, that the F. R. Bank of Richmond cannot trust

its member banks, but will take a chance on them up to ten per cent of their capital and surplus.

The F. R. System ought to have nothing to do with transferring funds until they are on deposit with it. When once deposited it should transfer them wherever directed no matter what they amount to. It has already agreed to do so under the transfer system. If a member bank wishes to draw its drafts against uncollected--or even undeposited-- funds, it has a right to do so and to send it where it wishes, but no responsibility attaches to the F. R. System for the payment of such a draft, which is everywhere received for collection, as is proper.

Another thing; I have an impression, perhaps incorrect, that some of these F. R. Banks want to make an exchange charge to their member banks who draw these drafts, just as they did in the early days of the system when F. R. Bank drafts were parred for about six months. I believe that such a charge when the funds are actually on deposit in the Richmond F. R. Bank and when we have the G. S. Funds to operate <sup>through</sup> ~~it~~, is all wrong and should not be permitted. We should do this for the convenience of member banks. They are at liberty to charge the public exchange as long as the public will pay it.

Perhaps I get unduly concerned about this matter. But it took a year of almost constant discussion to ~~get~~ the collection system established on a sound basis, and I feel that this is nearly as important as the collection system, and we should try just as hard to get it right. If it is established on a wrong basis it is sure to throw our domestic

exchanges all out of gear the first time the system runs into a strain.

I am sending a copy of this to Governor Strong to see what his comments are and should appreciate having yours. They will make interesting reading for a lonely winter's eve.

With best regards, and hoping that you and all your family will have a very happy Christmas, I am,

Sincerely yours,

[From P. J. ? as he was in  
Augusta Ga on Dec 1, 1916]



Denver, Colorado,  
December 20, 1916.

Dear Mr. Treman:

Thank you very much for yours of the 15th and for the report about amendments. I was delighted to have it with the record of the Governors' views, as Warburg has sent me confidentially detailed drafts of all of them and I am about to prepare a little memorandum on each one. These will be expressions of personal views, which is all Warburg wanted from me.

Faithfully yours,

Mr. R. H. Treman,  
Federal Reserve Bank,  
New York City.

BS/CC

178

Denver, Colorado,  
December 20, 1916.

Dear Mr. Treman:

Thank you for yours of the 15th. It will take some little study to reply, both in regard to the form of our weekly statement and Governor Seay's report, so I will defer an answer until I have been over them carefully.

They are much more careless out here with snow than in New York - it dribbles a bit every few days, but does not stay very long. I rejoice to get good news directly from Mr. Jay by telegraph, for I was fearing he might land out here to keep me company, which would be a big calamity.

Best regards,

Sincerely yours,

R. H. Treman, Esq.,  
Federal Reserve Bank,  
New York City.

BS/CC

178

Denver, Colorado,  
December 21, 1916.

Dear Mr. Treman:

Reading over the last weekly report, the board reports to the directors and some of your recent letters suggests a few things to my mind which I take the liberty of writing you about and you will, no doubt, pass them along the line if the suggestions appeal to you:

1. EARNINGS AND DIVIDENDS. The estimate to December 31st shows \$283,000 available for dividends and dividend requirements to June 30, 1915 \$280,000, after deducting all organization expense items except cost of unused Federal Reserve notes.

In view of our earning situation, I believe we should make every effort to clean up dividends to June 30th and if the margin of \$2600 is considered insufficient, it would not be improper of course to reduce Furniture and Equipment Account by say \$43,000, leaving say \$20,000 to charge off next year. In this connection, however, you will recall my writing you sometime ago, suggesting the real importance for purposes of comparison, uniformity, etc., that all Federal Reserve Banks should deal with the item of organization expense uniformly. Was this taken up and disposed of with the Reserve Board? It will effect our own policy as to dividends.

2. SALARIES. This matter is no doubt having the attention of the usual committee. The officers and clerks have worked with such unexampled loyalty and self-sacrifice and there is such an unquestioned increase in expenses for all of them, that I think they should receive



To - Mr. Treman.

December 21, 1916.

every consideration in readjustments for the New Year.

3. REPORTS TO DIRECTORS. The character of our bank makes it highly desirable to preserve a permanent and enduring record of matters submitted to the directors. The Minute book is incomplete without the data upon which the resolutions of the Board are based. I, therefore, take the liberty of suggesting that arrangements be made, if not already done, to have the data which is now submitted at each meeting in the blue binders assembled in periods corresponding to our financial year, bound in a permanent leather binding, with suitable inscription on the back and with an index which will make the contents readily accessible. This should be built up from the organization of the bank, the first volume including a fraction of 1914 and all of 1915. Of course the first few months will be rather fragmentary.

4. PRIVATE BANKERS STATEMENTS. Almost all of the private bankers close their books as of January 1st. As Mr. Jay and I discussed the matter of their statements with them in great confidence, I suggest that you and Mr. Jay arrange a policy for the New Year and that efforts be made shortly to bring our statement files up to date. J. P. Morgan & Co. and Brown Brothers & Co. made verbal statements which were not even reduced to writing by Mr. Jay and myself for our own satisfaction. At the proper time it might be desirable to have a few words with Jack Morgan and Jim Brown to ascertain what, if any, important changes have transpired in their affairs.

5. WEEKLY STATEMENT FOR THE PRESS. I return the figures enclosed with yours of the 15th, together with a pencil memo. suggesting a grouping of the items, which, while I do not finally recommend us-

To - Mr. Treman.

December 21, 1916.

ing, will offer opportunity for discussion by the officers and, possibly, directors. You will observe that the difference between items 1 & 4 will show our net earnings with fair accuracy; also that it will eliminate item #3 entirely as the statement will balance without forcing a different entry of this character.

If the policy of writing off organization expense entirely is adopted, item #5 will be eliminated.

If you or the others think that the item of uncollected deposits should be published, I see no particular objection to doing so and if you see objection to the enclosed suggestion on the ground that it exposes the affairs of the bank in too great detail, please bear in mind that practically the same figures can be obtained by anyone taking the trouble to read the bulletin.

6. CHECKS ON FEDERAL RESERVE BANKS. I am writing separately on this subject which needs a good deal of thought.

7. ANNUAL REPORT. Mr. Jay's illness and the necessity for frequent absence for meetings, etc., will undoubtedly make it hard to get this out on time. It was very late last year and I hope a similar delay can be avoided this year by dividing up the work of its preparation. If there is time to send me a draft of it, I would appreciate seeing it, but not at the expense of delay.

Please don't think I am worrying you with these matters. An organization like ours needs someone whose job it is to do nothing but follow up matters and these are everyone of them of that category, so I hope you will keep the pressure on and get them off the unfinished business list.

Yours faithfully,

BS/CC



178

Denver, Colorado,  
December 21, 1916.

Dear Mr. Treman:

This last move towards peace inspires me to write a letter which I have long been considering and which I do with apologies for making suggestions of the character to one of your experience and particularly after the magnificent way in which you and the others handled the situation during the money flurry.

I believe that the President has it in his power to bring about peace and that his efforts will meet with success possibly sooner than any of us realize. I would not think so had he not stated his determination so positively to throw the weight of this country's influence in the scales in any binding peace arrangement. It will be just as deciding a factor in insuring the results which the allies are determined to achieve as will be a military victory, and that is all that makes me hopeful of the outcome.

Feeling as I do, it is time that we took council about policies for the future and I want to urge that you and the others take every opportunity to bring pressure upon the Reserve Board to secure the passage of as many amendments as possible for the strengthening of the System at this session of Congress. I am writing Warburg a memorandum on all the proposed amendments probably tomorrow. The Board should be urged not to confine this to single handed efforts, but to add to their own influence that of all the Reserve Banks and all important bankers whose influence would be felt in congress.



To - Mr. Treman.

December 21, 1916.

The second point I want to urge is in regard to our own internal policy, and I know you will pardon my referring to personal experiences during the panic in 1907 and the fall of 1914, because no one had any more intimate insight into the difficulties of those two periods than I had.

Panics in New York gain impetus from two sources: One is the timidity and selfishness of interior bankers who lock up money at home and withdraw money from New York; the other is not so much the timidity or selfishness of New York bankers, who, as a rule, desire to be public spirited, but who are generally handicapped, not by lack of leadership but by lack of the very thing which the Reserve Bank can readily furnish and that is currency and credit. This statement is not guess work, but is the result of actual observations in times of serious difficulties, and I am convinced that if things temporarily break down as the result of peace negotiations, or if they show a tendency to break down, that a skillful and courageous policy by the Reserve Bank can be made the instrument for saving the situation. We will need to discount commercial paper, to buy bills and to issue currency at such a rate as to demonstrate the strength of our own resources and to kill panicky feelings. At such a time there are certain dangers to be guarded against, which I am going to enumerate as they appear to me:

First, the danger that in our haste and anxiety to meet the situation, we may extend credit to banks which are not in as good condition as they should be, and to guard against this we should take steps, if not already taken, to inform ourselves fully about every member bank in our

To - Mr. Treman.

December 21, 1916.

district and every bank whose bills we buy. This does not mean withholding credit from weaker institutions, which should be saved from embarrassment if possible, but it does mean to require them in every instance to give ample collateral for advances.

The second danger is that we may be too greatly controlled by the supertechnical requirements of the Reserve Act and the regulations and attempt too minute a discrimination in respect to the eligibility of paper, etc. Don't ever forget that no damage will result and no criticism will be caused if we apply the most liberal interpretation on all these matters in time of stress so long, of course, as we are careful to take only good paper.

The third danger is that our own organization might break down in time of emergency, either because we were short of competent men or because the men lost their heads. We can always enlarge our force by making calls on member banks to lend us men, and the way to insure that our force will not break down is to require every man to stay at his desk when working under pressure and to take his time. The ideal picture of the Reserve Bank working in an emergency is to see every man busy at his own desk, but not giving the slightest evidence of being rushed, disturbed or uneasy. The minute the men who are dealing with the public show the slightest evidence of loss of control of their own work, they should be sent down to the money room to count money - they do more harm than good.

The last danger is one inherent in the Federal Reserve System. Emergencies require a combination of deliberation and prompt decision. One cannot wait to confer with associates who are 225 miles away and associates who are 225 miles away are not usually in position to judge



To - Mr. Treman.

December 21, 1916.

of the correctness of the policy to be adopted on the spot and promptly. I dread the possibility of Warburg, or any other member of the Reserve Board, calling on the telephone at a time of crises, with a counsel of timidity, or anything of that sort. The management of the Bank at New York on such occasions must assume responsibility and take the consequences if it makes mistakes and it is much more liable to make mistakes if it attempts to shift its responsibility to Washington or vacillates timidly between its own judgment and some conflicting judgment from a distance.

This is pretty much all that has been in my mind on this score except that if at any time a real situation developed, particularly at a time when some of our officers might be ill, none of you need hesitate to telegraph me to come home, because I am quite able to do so for a limited period and without serious harm. I shall apologize for this letter which I hope you don't regard as an officious interference with your own responsibility.

Affectionate regards to you all.

Yours faithfully,

R. H. Treman, Esq.,  
Federal Reserve Bank,  
Washington, D. C.

BS/CC



Denver, Colorado,  
December 22, 1916.

Dear Mr. Treman:

The policy of the Federal Reserve Bank at present is to return Federal Reserve notes of other reserve banks directly to the banks of issue for redemption. This may be required by the statute as it now reads. Much expense could be saved in shipping notes to distant points, if the notes of all Reserve Banks, except Boston and Philadelphia, and possibly Cleveland and Richmond, were sent to Washington for redemption. If the Reserve Act does not permit us to do so, nothing can be done at this time, but wont you see that our Money department is instructed to bear in mind that if the amendment to the note provisions of the Reserve Act proposed by the Federal Reserve Board should be passed by Congress, it will permit us to redeem through Washington, provided we gain the consent of the bank of issue.

Yours very truly,

R. H. Treman, Esq.,  
Federal Reserve Bank,  
Washington City, N. Y.

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Denver, Colorado,  
December 23, 1916.

Dear Mr. Treman:

Just a line to acknowledge yours of the 18th before knocking off work for a week, which we will spend in Estes Park with the boys who are here from school and college.

I fear the limitation that Class C. directors shall have no bank connection whatever will disqualify almost every suggestion advanced by you, Jay, Curtis and myself. Confidentially, I suggested that Curtis be appointed when writing Mr. Jay, and I believe it is the best appointment that could be made.

I know Mr. Dow, who is, as you say, a nice man with an ingrowing egotism, however, as you have doubtless observed.

The policy about Federal Reserve notes is absolutely correct, but as to the dividend, I would like to have seen it paid up to June 30th, although that can be done any time and possibly two bites will be more encouraging than one. I hope the bank <sup>policy</sup> shows the complicated procedure set out by the Board in this dividend matter, thus evidencing our deference to their wishes.

About an article on the Collection System, I will be glad to sketch something out on this subject after returning from the Park and send it to you in the rough, if you care to have me do so, but I am sure it will need a lot of polishing to bring it up to date.

We ought to start our England arrangement pretty soon, but, as I said in a former letter, not until we have an unqualified consent from the Board.

It is nice to hear that Williams thinks kindly of me. With one or two exceptions, he has shown me unusual courtesy and I believe the past two years have convinced him that we are trying to run the bank honestly.

I have just received a bully telegram from the office, containing the good wishes of the whole staff, which has touched and pleased me very much. I hope every man in the organization, and particularly you who stand in my shoes and carry many of my troubles, have a bully Christmas.

With much affection,

Faithfully yours,

R. H. Treman, Esq.,  
Federal Reserve Bank,  
New York City.

BS/CC



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Denver, Colorado,  
December 24, 1916.

Dear Mr. Tremen:

Thank you most warmly for your nice letter of the 19th, which refers particularly to the matter of a Deputy Governor. It would, of course, be ridiculous for us to be discussing this matter if there is a possibility of your remaining, but it does seem as though we were riding a willing horse to death and guilty of a serious imposition upon your good nature to permit the present arrangement to run along indefinitely, interfering with your domestic and business plans and arrangements and keeping you traveling back and forth between New York and Ithaca.

It is unnecessary for me to repeat that I am deeply concerned that no feeling of sentiment about me or my illness should interfere with a prompt and wise solution of this matter. I expect to return better than ever, and Dr. Sewall has conditionally stated that he thinks I might be able to make a trip to Europe in June. Nevertheless, it is a very long absence and one that I deeply deplore. Whatever you and the others decide about the future will be absolutely satisfactory to me.

With warmest regards to you all, I am,

Faithfully yours,

BS/CC

# WESTERN UNION DAY LETTER

Form 2589

ORGE W. E. ATKINS, VICE-PRESIDENT

NEWCOMB CARLTON, PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

RECEIVER'S No.

TIME FILED

CHECK

END the following Day Letter, subject to the terms  
on back hereof, which are hereby agreed to

COPY.

"Estes Park, Colo., Dec. 27, 1916.

R. H. Treman, Federal Reserve Bank, New York.

Jay wires that de Neufelize requests authority to wire Pallain that we are willing to conclude arrangements with Bank of France same as London. Stop. As de Neufelize has never been formally authorized to represent Pallain in this matter I think you might wire Pallain direct that we have all along desired to conclude arrangements with Bank of France same as in London and had not expected to authorize any announcement regarding London which we would not also hope to conclude in Paris. Stop. If Jack Morgan agrees will be wise, would also say we had so stated to Cunliffe. Stop. Think matter may get tangled unless all communications handled through New York and you keep me posted by 'phone. Stop." If you wire Pallain better show message to de Neufelize.

Strong."



## ALL DAY LETTERS TAKEN BY THIS COMPANY SHALL BE SUBJECT TO THE FOLLOWING TERMS

The Western Union Telegraph Company will receive **DAY LETTERS**, to be transmitted at rates lower than its standard telegram rates one and one-half times the standard night letter rate shall be charged for the transmission of fifty (50) words or less, and one-fifth of the initial rate for words shall be charged for each additional ten (10) words or less.

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

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

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

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

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

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

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

In further consideration of the reduced rate for this special "**DAY LETTER**" service, the following special terms are hereby agreed to:

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

B. **DAY LETTERS** shall be written in plain English. Code language is not permissible.

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

D. This **DAY LETTER** is received subject to the express understanding and agreement that the Company does not undertake that a **DAY LETTER** shall be delivered on the day of its date absolutely and at all events; but that the Company's obligation in this respect is subject to the condition that there remain sufficient time for the transmission and delivery of such day letter on the day of its date during regular office hours, subject to the priority of the transmission of regular telegrams under the conditions named above.

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

**THE WESTERN UNION TELEGRAPH COMPANY**  
INCORPORATED  
NEWCOMB CARLTON, PRESIDENT

## CLASSES OF SERVICE

### TELEGRAMS

A full-rate expedited service.

### NIGHT TELEGRAMS

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

### DAY LETTERS

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

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

### NIGHT LETTERS

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



# WESTERN UNION

## NIGHT LETTER



Form 2289

12/27  
x 23  
B 2 Eng

W. E. ATKINS, VICE-PRESIDENT

NEWCOMB CARLTON, PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

FORM'S No.

TIME FILED

CHECK

The following Night Letter, subject to the terms back hereof, which are hereby agreed to

*Copy to  
C. G. F. H. S.  
agreement book*

### NIGHT LETTER.

Denver, Colorado, December 26, 1916.

R. H. Treman, Federal Reserve Bank,  
Equitable Bldg., New York City.

Announcement by Board violates my definite written agreement with Bank of England and will certainly cause serious criticism and throw doubt on my good faith. Stop. Suggest following course. Stop. Advise Board in writing that owing to last clause my agreement you must notify Bank of England that announcement was made without my knowledge. Stop. Then ask Jack Morgan to cable privately to Cunliffe and inquire what course Bank of England desires us to follow respecting further publicity. Stop. As I have no knowledge of Board's reasons for violating my agreement suggest you get full particulars and write Cunliffe in my behalf making any explanation necessary and expressing my regret and hope no harm has been done. Stop. Please wire me fully here after conferring with Jack. Stop. You can reach me by telegraph care Charles E. Hewes Estes Park until Saturday.

Benjamin Strong.

SEND COLLECT.

## ALL NIGHT LETTERS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS

The Western Union Telegraph Company will receive not later than midnight **NIGHT LETTERS**, to be transmitted only for delivery on the morning of the next ensuing business day, at rates still lower than its standard night telegram rates, as follows: The standard day rates for ten words shall be charged for the transmission of fifty words or less, and one-fifth of such standard day rate for ten words shall be charged for each additional ten words or less.

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

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

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

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

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

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

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

In further consideration of the reduced rate for this special "**NIGHT LETTER**" service, the following special terms are hereby agreed to: A. **NIGHT LETTERS** may at the option of the Telegraph Company be mailed at destination to the addressee, and the Company shall be discharged of its obligation in such cases with respect to delivery by mailing such **NIGHT LETTERS** at destination, postage prepaid.

B. **NIGHT LETTERS** shall be written in plain English. Code language is not permissible.

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

THE WESTERN UNION TELEGRAPH COMPANY  
INCORPORATED  
NEWCOMB CARLTON, PRESIDENT

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### DAY LETTERS

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

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

### NIGHT LETTERS

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

# Office Correspondence

FEDERAL RESERVE  
BANK OF NEW YORKDate April 2, 1917.To Miss ParkerSubject: Bank Reports.From Mr. Treman.

I note that copies of various reports of different Canadian and foreign banks are beginning to come in.

The purpose of asking for additional reports from them was in order that we might furnish to universities and libraries in this country copies of the reports should they desire them.

A letter to Governor Strong from Princeton University requested him to write to a number of foreign banks in behalf of Princeton University, but instead of our doing it in that way we asked for additional copies and I trust that you will see that one copy of each kind is mailed to Princeton University, they having asked for them.

Will you also send to Cornell University Library, Ithaca, New York, a copy of each as received and whatever expense is connected with mailing them to Cornell University, please advise me so that I may pay the same?

*RHT Treman*

RHT/VCM