

Denver, Colorado,
January 2, 1917.

Dear Mr. Treman:

We all went to the mountains on Christmas Day, and, as we did not return until Sunday and yesterday was a holiday, this is my first opportunity to give attention to a great accumulation of mail which, as you realize, is both interesting and important.

I have your letters as follows: December 14th from Washington, hand-written (which must have been delayed in transit), December 20, 21, 22, 24 (hand-written), 26, 27, 28 and two of the 29th. I will answer them in chronological order.

Yours of the 14th only calls for reference to the matter of amendments. The drafts sent me by Warburg were sent personally and in confidence and I have replied to him with a separate memorandum on each of the proposed amendments, and, understanding now that they have all been submitted to you, I send you copies of these comments, which however please hold in confidence and consider only as an expression of my personal views.

Since writing this memorandum Warburg has sent me a revision of the plan for retiring greenbacks, which I have not yet had time to study, but when I do and reply, I will send you a copy. Would you mind pointing out any particular statements in my memoranda with which you do not agree?

Yours of the 20th. I note your remarks about Mr. Jay's re-appointment, also about the statement by Lazard Freres. I have always understood that they were rich. They have very close affiliations with

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the Bank of France, but, as you doubtless know, they have at times been regarded as indulging in stock market operations of rather extensive character. This is only street gossip and I give it to you for what it is worth, but the same reference was made by a member of the Reserve Board when I discussed the names, hence I repeat it.

Also bear in mind that Mr. Blumenthal will be very much interested and doubtless will inquire as to our Bank of France negotiations. I do not think they should be disclosed to him in any way.

About Mrs. McLaren, I had assumed that she would get her regular position and be considered with the rest in salary matters. Her stay here was of such tremendous help to me that I feel under a very deep obligation to her, which in a measure is an obligation of the bank's. You may be sure, if necessary, I won't hesitate to send for her again.

I have written Mr. Stevens of the Bank of Montclair, expressing my pleasure personally at their application for membership.

The memorandum you send showing volume and maturities of bills issued under renewal credits convinces me that our policy has been thoroughly sound and that no criticism by the Reserve Board has been warranted at any time.

Yours of the 21st. I am glad to hear that that vault is about finished. It will so much facilitate our work and give us such greater assurance as to our cash and securities that it will prove a great relief to my mind. Please don't attempt to send me any combinations during my absence.

You doubtless have observed that Chicago's earnings for the year are about equal to ours. This indicates the inequality of the

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present basis of distribution. I had hoped that our earnings would justify a larger distribution so as to clean up accumulated dividends to July 1, 1915, but submit to your better understanding of conditions. Will refer to foreign banking connections in a separate letter.

Not receiving your letter of the 21st until returning from the mountains, I am unable to get word to you on the subject of salary changes. Of course Mr. Sailer should be increased to the figure originally discussed.

It is difficult for me to express an opinion about the other officers, without having before me a record of their salaries in their previous positions and advances already made since coming with us. On the whole, I am inclined to feel that Hendricks and Camm should be increased equally, that Mr. Kenzel should receive about \$6,000, that Mr. Higgins should receive a smaller increase on account of his recent advance and that Mr. Jefferson should receive possibly a few hundred dollars less than Mr. Kenzel. This is a very general statement which I cannot make more definite as you will understand.

On the whole, I think these men are exceptional in ability and particularly in reliability; they are really conducting the business satisfactorily of an institutions with \$300,000,000 of assets, and we must not be niggardly in our appreciation of their loyalty and ability. About the bonus or emergency salary, I should say that the distribution should be limited to those who are receiving not over a maximum salary and should be graded from a minimum of say 10% to a maximum of 15% or 20%, the larger percentage applying to those receiving the smallest salary.

To - Mr. Treman.

January 2, 1917.

Yours of the 22nd. Thank you for the copy of special instructions No. 2, which I have read with interest. This and other matters indicate an intention by the Reserve Board to tighten up their direct control of the management of the Reserve Banks. I hope they don't overdo it for it is sure to give rise to a clash.

The dinner given by Mr. Woodward I am glad to hear was productive of good results. Mr. Hendricks knows my views about the Clearing House charges and I hope you will discuss them with him and keep the pressure on to eliminate the present anomalous situation. The Clearing house can afford to cooperate with us and should do so.

George Allen is a good deal of a busy body and I hope he does not make trouble for us in sending out his questionnaire. My own views about associate membership are covered by the enclosed memorandum.

It was all right not to send my letter to Warburg. I wrote him directly and the result of our efforts in this matter seem to have succeeded in some respects and been defeated in others; it has taught me a lesson.

Yours of the 24th. This relates almost entirely to salary which I have covered above.

Yours of the 26th. This is entirely about foreign arrangements concerning which I write separately.

Yours of the 27th. Except for the foreign arrangements, this only refers to the letter you are writing to Monsieur Lewandowski. I notice that your reply fails to refer to one important matter and that is the possible liability for taxes in New York state. Would you mind having that subject investigated and send him the necessary information?

Yours of the 28th. This principally refers to the foreign arrangements which I answer separately. About free telegraphic transfers, will you please ask Mr. Hendricks to communicate at once with Mr. Caulkins of the Federal Reserve Bank at San Francisco so that he may feel free to carry out his desire of making telegraphic transfers at New York without charge to his member banks? He says it will greatly relieve us of loss of gold in the gold settlement fund as the volume will be heavy, and we ought to take this opportunity of expressing our pleasure at being able to serve them. I am much gratified to learn of progress in the Clearing House arrangements; it will come along all right if it is followed up, otherwise those fellows will let matters drag forever.

It is impossible for me to form any judgment about rates out here.

Yours of the 28th. References to the foreign banking relations are dealt with in a separate letter. I am greatly interested in the reports of purchases of bills and discounts for member banks.

Yours of the 29th. Mr. Jay also wrote me a splendid letter about the foreign matter, and, as you say, he is literally foaming at the mouth but no more than I am.

I agree heartily with the program about collections of items on non-member banks who still hold out. Lets be patient with them as long as patience is justified and then put on the screws.

It will take me a few days to prepare that memorandum about drafts on Federal Reserve Banks being available anywhere at par. I have some notes worked up on the subject and a copy of Jay's letter to you, and will hope to get something off the last of this week or early next week.

As stated above, my confidential memorandums to Warburg are enclosed herewith.

To - Mr. Treman.

January 2, 1917.

Roberts will probably be here this week or next. We are going to discuss this subject of silver certificates, greenbacks and national bank notes and I want some special information from him about our Bank of England arrangements, which I think he alone can give us completely and satisfactorily.

Seay has sent me his memoranda, which will be referred to in my memo. on paring Federal Reserve bank checks.

The Bank of Montreal suggestion should be considered absolutely on its merits. Personally, I do not see much in it at the present time, as we doubtless would not buy bills in Canada and any relations established there would be of more value to them than to us, but it might be well to ask Mr. Meredith to submit any concrete suggestions he may have, as well as terms for accounts both ways, explaining that we cannot allow interest; I am telegraphing you the substance of this today as follows:

"Suggest asking Bank of Montreal for statement of terms and what business they would expect to conduct in our behalf. Se no present advantage in relationship as we would not buy bills in Canada and our arrangements might be considered antagonistic to present relations with our own member banks."

What is the significance of the large discount for the Merchants National Bank? Has the change of management cost them deposits and are they liable to meet with difficulties? Mr. Jay ought to be thoroughly posted on this situation.

Thank you for the copy of letter from Pallain, also for the memorandum respecting reserves, which is most interesting.

Your second letter of the 29th. I hope that desk clock leads you to keep reasonable hours, which are just as necessary for you as for

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any of the rest of us.

I am replying respecting the report on foreign arrangements by separate letter.

Now, please don't worry about my behavior out here. I am taking very good care of myself, although I did succeed in picking up a little cold last week which followed its customary course in settling in my antrum, but I am having it treated by a very good specialist who says I will be all right in a day or two; in the meantime I am letting mail slide along except some of the more important letters.

Thank you many times for what you say in your letters, all of which I deeply appreciate.

Faithfully yours,

M. H. Tremen, Esq.,
Federal Reserve Bank,
New York City, N. Y.

BS/CC

Enc.

Denver, Colorado,
January 2, 1917.

Dear Mr. Treman:

This letter is in regard to the Bank of England and Bank of France matters and I shall not send confirmations of our various telegrams, as it will take me some time to straighten out the longhand copies of those sent from Estes Park, but I will furnish you with confirmations in a few days for the completion of your records.

Before replying specifically to your letters on this subject let me first explain generally my own views:

In the first place I went to London, as you will recall, without any definite program in mind, without having communicated with the Bank of England or anyone else on this subject, nor, in fact, had I even mentioned it to Mr. Morgan, which would have been natural on account of his connection with our bank and on account of his partner, Mr. Grenfell, being a director of the Bank of England. My trip, to use the language which I recall using at one of our directors' meetings, was a scouting expedition for the purpose, first of sizing up conditions abroad and, second, gaining information as to the character of the foreign arrangements we should have and when it would be advisable to attempt to establish them. It had always been in my mind that these relations should be with the great central banks of Europe, if that was feasible, but I had always doubted the possibility of direct business relations because both the Bank of England and Bank of France are governed by so many hide-bound traditions that we could not in all probability obtain through their agency the required service. In a general way, it had been in my mind

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that we might be obliged to open an office over there, either in London or Paris, or both, and remain absolutely independent of any single connection.

From the very outset, however, of my inquiries abroad it became apparent that we would not only be able to make arrangements with both of these institutions of immense advantage to us, but probably on terms such as never would have been possible except in war time and under conditions such as then prevailed. I abandoned every thought of other plans in favor of a close relationship with both the Bank of England and the Bank of France, the result being as you know a good deal of progress with the Bank of France and almost complete success with the Bank of England. The arrangements contemplated with the latter were so far more advantageous than I had thought possible that it seemed necessary to go further toward concluding them than I had anticipated when I left New York, all of which you will find set out rather guardedly in my letters from London, addressed to Mr. Jay.

Let me say further that two years ago this subject had been generally discussed with Warburg, who at that time had expressed the view that we should hook up the Reserve Banks in some way with the great central banks of Europe. He may have forgotten this, but it was certainly in his mind in the early days of our organization, and further, let me say that the Board in Washington is not justified in suggesting that they did not expect me to go so far as I did go in these negotiations, because the matter was discussed very confidentially, but quite fully, at the last governors' conference in Washington before I sailed, a committee was appointed to consider

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the matter, the Board was advised of the appointment of this committee and Mr. Kains was charged with the duty of preparing the report on the subject to be submitted to the Reserve Board. They knew all there was to know on the subject and all that I knew, because the object of my trip necessarily was not definite and could not be outlined in advance of investigations to be made on the ground.

Now, as to the Board's authorization: This is an unrestricted one as I understand it, but the Board will desire, as has been intimated to me, privately, to be advised in advance of the probable scope of our operations. I think in a general way the Board should be fully advised of what we intend to do, but on no account in any way that would tie our hands, risk our complete freedom to act according to our best judgment or put us in a position of having this business conducted with a string, or, in fact, conducted from Washington by the Reserve Board. We should keep them informed, but should not be in a position where it is necessary for us to continually ask their permission as to our specific transactions or their amounts.

As to the Board's announcement, I think I am justified in writing you in the frankest way possible just the way I feel about it. They knew and fully recognized that I was bound by a written undertaking not to have any announcement made without Cumliffe's prior agreement. In other words, it was a willful violation of a sacred undertaking, which they were obligated to respect just as fully as I was. Their failure to do so would have resulted in my instantly resigning had I been in New York, or even in Denver. The fact that I was up in the mountains away from mail communications and

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trying to have a good time with the children I suppose had a good deal to do with my taking a more sober second thought, but in all honesty I must say that a repetition of this business means that I am through with the Federal Reserve Bank forever. The reasons for this are not so much my own personal relations with Cunliffe, Pallain and the others because they will not suffer, as I shall at the proper time make it perfectly clear to them that I was in no way responsible for the break. The real reason is as follows: Cunliffe and I had agreed that the machinery of our Reserve System was so complicated that it would be inadvisable for him to submit to his own directors the tentative terms proposed, which involved the Bank of England setting aside the traditions of the century, until we had made substantial progress toward getting all the authorities needed in this country. They consisted first of an amendment to the Federal Reserve Act by Congress; second consent of the Federal Reserve Board; third, approval of our own directors; fourth, an arrangement with the other eleven Reserve Banks and their boards of directors; and, fifth, which I explained confidentially to Cunliffe, some sort of an approval or disclaimer of interest by our State Department. The announcement by the Board may, in fact, have been the first notice to all but three or four of the directors of the Bank of England that any such plan was contemplated, and I am sure that Cunliffe's friendly message which you quote to me was inspired as much by his personal friendship for me as by anything else and doubtless covered a world of chagrin and mortification which he was unwilling to express. The other reason for my considering resigning so seriously was the effect upon the Bank of France. They are peculiar people in Paris and have to be handled with

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no end of delicacy to avoid bad blood. The situation was in perfect shape with Pallain because Lord Cunliffe and I had agreed that a similar arrangement ought to be perfected with the Bank of France, and, as you will find in the memoranda, that was so expressed. My idea had been to bring the Bank of England arrangements up to the point of actual conclusion and then so arrange matters that we could simultaneously, if possible, offer a similar arrangement to Pallain, possibly announcing both at the same time. The result, as you will observe, has been to risk Cunliffe's friendly co-operation and arouse the distrust of Pallain. The whole thing is absolutely unexplainable and to my mind unpardonable. Your letters and Curtis' telephone message give me the following explanations only: 1st, that the Board assumed all responsibility; 2nd, that as a public body, my obligation of confidence had no weight with them and should be disregarded; 3rd, that some newspaper man had a garbled story which he threatened to publish; 4th, that there was some other reason too sacred for them even to repeat to the victim of their unwarranted announcement.

This is all too ridiculous for sensible men to entertain. The possible explanations of their actions are, as I view it, as follows: 1st, that they desired to offset the ill effects of their previous unfortunate announcement about treasury bills and violated my undertaking for their own benefit; 2nd, that it was inspired by some international political motive in connection with Mr. Wilson's peace proposals; 3rd, that it was intended as an intimation to Germany of some sort which I cannot fully comprehend; 4th, which to me is incredible, that it was a method of defeating the operation of a plan which they had just authorized, by making the other party to the bargain unwilling to go ahead with the arrangement;

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5th, that it was a means taken by the Board to exhibit the strong arm in the general direction of the affairs of the Federal Reserve System and suppress somewhat the independent activities of the Federal Reserve Bank of New York and particularly myself.

On this phase of the whole subject I am now inclined to suggest that care be exercised that negotiations of this character be submitted hereafter to the Board in such shape that a positive "yes" and "no" answer is required, and all arrangements be made for governing our own actions in advance of submitting any application of this character. In other words, I think we should be governed absolutely by our own rights as set out in the statute until we get ample evidence that the Board can be trusted with knowledge of negotiations of a confidential character.

So far as Lord Cunliffe is concerned, I feel justified in writing him frankly, expressing my regrets at this occurrence and telling him just how it happened; that I will do by an early mail and send you a copy. In the meantime, I have not a line from Washington on this subject and until I do hear from them direct you may be sure that I am not going to mention the matter. The only answer that I could send with any self respect would be a resignation and I have decided not to do that, at least for the present.

Now, as to the course to be pursued - after time for a good deal of consideration I think the following is the best:

As to the Bank of England - in a few days I will prepare and send you a letter outlining a method by which I think we can start operations at an early date, and in that letter I will try to cover all necessary details. This will be official and I will send a signed letter, but if you and the others think it should be modified, please don't hesitate to do so and sign it yourself. At the same time I will draft a letter which

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it would seem to me desirable to now send to the other eleven Reserve Banks, preliminary to a more formal treatment of the matter. Just as soon as we hear from Lord Cunliffe, if his response is favorable, I think the Federal Reserve Bank of New York should itself join with the Bank of England in making identical announcements on both sides of the conclusion of the arrangement, using care that the terms, of course, are not known, but making it perfectly clear that it is an arrangement which the Federal Reserve Bank of New York has negotiated with the Bank of England after a good many months of discussion and correspondence. In that announcement I think we should ignore the announcement already made by the Board, as otherwise it would appear that we had taken the matter up with the Bank of England only since getting authority from the Board, which of course would not be the truth.

As to the Bank of France, I have received a personal cable from Pallain as follows:

"Ai repondu par dernier courrier a votre derniere lettre.
Stop. Mille bons souhaits."

To which I am replying as follows:

"Many thanks for your good wishes which are heartily reciprocated. Stop. I await your letter with interest and will reply promptly with regard to our negotiations and respecting announcement of possible arrangements in London."

The situation in Paris is quite different from that in London and the sensibilities of the officers and regents of the Bank of France are such that I feel we would be guilty of a serious blunder if we did not proceed at once to conclude an arrangement with the Bank of France, even though we did no business at the present time, or only a nominal business.

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The Bank of France, as you will find I advised the Board and Mr. Jay in writing, held a special meeting of the regents while I was in Paris, authorizing Pallain to conduct negotiations with a view to establishing some sort of relations, which were not then defined. I think we should proceed at once and conclude them, provided they are willing to accord terms at least as favorable as those granted by the Bank of England.

As for de Neuflyze, he has at no time produced any authority from the Bank of France to represent them in these negotiations. You will find all the correspondence in our files in which we were requested to assist him in connection with the negotiation of commercial credits, Pallain having advised us that he came to this country to represent the Chamber of Commerce at Paris and the Bank of France in that matter.

The way de Neuflyze happened to write Pallain on the subject of relations between the two institutions was simply by reason of one talk I had with him, in which de Neuflyze himself suggested that something of that sort should be brought about. I told him that I had already discussed the matter with Pallain and pointed out to him the impossibility of concluding arrangements for any such relationship, except the Bank of France were willing to give us guarantee in gold and that I had not reached the point in any discussions with them where I felt they had disclosed their willingness to go that far. He undertook to write Pallain on the subject, entirely on his own responsibility, although with my knowledge, and he later advised me that he had heard from Pallain, but he did not disclose what Pallain had written, and suggested in place of a gold guarantee simply a guarantee of rates of exchange. The matter never went any further so far as de Neuflyze was concerned, because Pallain later wrote me direct,

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copy of which letter you have and in which, as I recall it, he made no reference to the possibility of our negotiating through de Neuflyze.

de Neuflyze fails to distinguish between an unofficial and informal discussion of his own unofficial and unauthorized suggestion and the official negotiations which we are conducting direct with the Bank of France, and with which I have no knowledge as to his familiarity. His father, Baron de Neuflyze, is a regent of the Bank of France and is, of course, fully informed. It strikes me as rather dangerous to undertake any negotiations with or through de Neuflyze until we have authority. I did hear from Masson when he was here that he had heard something about the matter and was satisfied that the Bank of France wanted to establish close relations with us. With this preliminary statement, my proposal would be to write Pallain a careful letter, which I will draft upon receipt of his, outlining what kind of an arrangement it would be necessary for us to have, explaining cautiously the Bank of England situation and the unexpected announcement in regard thereto, and containing the suggestion that if this plan could not be concluded without a personal visit, I was expecting to go to France sometime this year, but in the meantime that we should open reciprocal accounts with each other and await more elaborate arrangements until I was able to go abroad.

This long letter so far is intended simply to express my personal views about the announcement and what we should now do. Let me now comment on some of your references to the matter in your last letters.

Sending notice to Mr. Jay of the action of the Board in an envelope marked "confidential" was a strange performance when the Board had already determined to make an announcement to the press. I am glad you and the

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others feel as strongly about it as I do. I doubt if negotiations with the Bank of England are jeopardized so far as I am concerned personally, but I think it will make them more cautious in their relations with us, feeling that we have a leaky and unreliable Board supervising our affairs and I am sure that the situation with Pallain will be greatly complicated because these French bankers are exceedingly suspicious and liable to take fright at any evidence of unreliability. I hope that you and the others insist upon our getting direct advices from the Board on all matters effecting the bank's affairs. The governors' conferences have developed that this indirect method of communication by private letters to the Reserve Agents is repeatedly the cause of mistakes, misunderstanding and sometimes hard feelings.

One sentence in Governor Harding's letter strikes me as most unusual and indicating a dangerous attitude by the Reserve Board. He says that as the Board is a governmental body, its acts are of a public character. Congress can demand a right to inspect its Minutes and that it must report to Congress even matters which are of a confidential nature and unfinished, such as this one. If the Board takes the attitude that all of our transactions, negotiations, etc., must at once be published, notwithstanding that they may be of the most confidential character, the minute they are submitted to the Board, and that the Board alone is to be the judge of the character and extent of the publicity, then it becomes essential for the protection of the management of the Reserve Banks that the Board should not be advised of confidential transactions. To illustrate my feelings on this subject, suppose the Board should demand the confidential statements filed with us by private bankers. What protection of

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confidence can we afford to these men who are relying upon our pledges? I cannot accept any such doctrine so long as I am an officer of the bank and if the Board insists that matters which should be dealt with confidentially are nevertheless to be published whenever the Board sees fit, I certainly cannot continue my connection with the institution. This should be conveyed to them at the proper time, but I doubt if that time has yet arrived. Wont you let me know how you feel about it?

I have read over the draft of the proposed report and your letter to the Board, which seems to cover the ground admirably, with the possible exception of one or two points mentioned in my telegram sent yesterday, of which confirmation is enclosed.

There are two points that I failed to mention in their proper place. One is the embarrassment which may have been caused Lord Cunliffe because of the necessity for a very careful and cautiously worded announcement of these negotiations in London where a good deal of jealousy exists among the joint stock banks as to the operations of the Bank of England. During the course of our discussions he stated to me once or twice that the big London banks were very jealous of the Bank of England, and it developed that in some cases ^{they felt} it invaded their own fields of activity. He thought they might feel so in this matter and I assume that his reference to it indicated a desire to so handle the matter that it would minimize criticism of the management of the Bank of England; this was rendered impossible by the premature announcement.

Another unfortunate feature of this matter seems to be the feeling intimated by Warburg in one of his letters that I had forced the Board in pressing this application for immediate consideration. Such a feeling

To - Mr. Treman.

January 2, 1917.

is entirely unwarranted. If you will examine carefully the official memoranda, you will observe that it is based upon the hypothesis that transactions would not necessarily be undertaken before the conclusion of the war, but if it became possible, or necessary, notice to that effect would be given. I have all along taken the attitude with the Board that this was a matter which simply required consent or notice of dissent by the Board, although I strongly recommended immediate assent. It has all along been within their power to say that they would not approve the arrangement while the war continued and they cannot possibly have read the memoranda without realizing that no commitment was made by me, nor was any tacit understanding in existence which committed either our bank or the Reserve Board in any way to cause any embarrassment had they declined to authorize the appointment at the present time.

I am sorry to write such a long letter but it seems necessary to cover the whole ground as I see it, and now I will get busy preparing some sort of a letter to Lord Cunliffe for submission to the bank before it is sent. I wish Curtis was here to help me.

In conclusion, let me say that this episode has very much altered my feelings toward the whole Reserve System and, generally, the work that they are doing. Difference of opinion on our policy, etc., does not influence me in the slightest degree in my loyalty to the work, but this deliberate disregard of what I considered to be a very sacred undertaking is really a little more than I can stomach.

To - Mr. Treman.

January 2, 1917.

I am delighted, however, at the attitude the bank and particularly of you and the officers who were on the job and realize the situation. My best to you all.

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Faithfully yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

REPLY

WESTERN UNION TELEGRAM



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

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

NEWCOMB CARLTON, PRESIDENT
GEORGE W. E. ATKINS, VICE-PRESIDENT BELVIDERE BROOKS, VICE-PRESIDENT

D AT

Denver, Colorado, January 2, 1917.

R. H. Treman, Federal Reserve Bank,
New York City.

DAY LETTER.

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Replying yours twenty-ninth make following suggestions regarding resolution. Stop. Selection of London Agent was entirely open question before I reached London and necessity of making that connection developed after my arrival. Stop. Would modify top of page two in that respect. Stop. Resolution and letter should point out absurdity of confidential communication of Boards action addressed to Jay when it had already decided to make public announcement at once. Stop. Further emphasis could be given to embarrassment caused Cunliffe who was awaiting sufficient progress here before submitting matter to his own directors. Stop. Copy cable to Cunliffe not enclosed with Curtis letter. Stop. More by mail.

Benjamin Strong.

Chg. Benj. Strong,
4100 Montview Blv.,
Denver, Colorado.

DAY LETTER.

WIRE

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, VICE-PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

Receiver's No.

Check

Time Filed

an X opposite
 vice desired;
 TELEGRAM
 TITLED AS A
 MESSAGE.

ing telegram, subject to the terms
 of, which are hereby agreed to

Denver, Colorado, January 2, 1917.

R. H. Treman, Care Federal Reserve Bank,
 New York City.

Suggest asking Bank of Montreal for statement of terms and
 what business they would expect to conduct in our behalf. See no present
 advantage in relationship as we would not buy bills in Canada and our
 arrangements might be considered antagonistic to present relations with
 our own member banks.

Benjamin Strong.

Chg. Benjamin Strong,
 4100 Montview Blvd.,
 Denver, Colorado.

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 confirmation. The rate for the unrepeated telegram rate is charged in addition. Unless otherwise indicated on its face, THIS IS AN UNREPEATED TELEGRAM AND PAID 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, 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 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 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 telegrams 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 amount is specified 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 and percentage 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 the 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 larger 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, 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 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 of filing 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, unless otherwise specified in the foregoing terms.

8. No employee of the Company is authorized to vary the foregoing.

THE WESTERN UNION TELEGRAPH

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 the 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:

A. Day Letters may be forwarded by the Telegraph Company as a deferred service and the transmission and delivery of such Day Letters is, 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 that the Company does not undertake that a Day

Letter shall be delivered on the day of its date above specified, 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 above specified, 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 midnight for delivery on the morning of the ensuing business day, at rates still lower than standard day rates, as follows: The standard day rate for 10 words 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.

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 addressee, and the Company shall be deemed to have discharged its obligation in such case to deliver by mailing such Night Letters at destination, if 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.

Denver, Colorado,
January 5, 1917.

Dear Mr. Treman:

I have been meaning for sometime to write you this letter by hand, but my correspondence is so heavy that I must dictate it instead.

After some months of very difficult work for you, I realize that the skies seem to have opened and let down a veritable deluge of difficulties and troubles; it oppresses me a good deal. A certain want of consideration which has been shown you in some matters recently is utterly unexplainable to me and I can realize, tired as you are, that it has been dispiriting and discouraging beyond expression.

Please realize that those of us who have been in harness now for over two years have developed callous spots where the collar and breeching chafe and a new hand at the job, like yourself, will at first be certain to develop some bad galls. Jay and Curtis and I have been all through this, have managed to retain a certain amount of self-respect and find some humor in the situation, and I am writing to you now to urge that you do the same and do not worry about these unfortunate developments.

Of course you were handicapped by a certain lack of familiarity with past developments and it seems to me that no one could have possibly dealt with the situation with greater skill and judgment than you have, and I hope that you are not getting discouraged or feel that the work is not worth while. To the extent that it is for my benefit, I deeply appreciate it, and the work for the whole system will bring its own reward in the great satisfaction you will feel when you look back on it.

To - Mr. Treman.

January 5, 1917.

This, therefore, is to urge you to cheer up and not get
anxious over these unfortunate recent developments.

With many good wishes, I am,

Faithfully yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/cc

COPY

Denver, Colorado,
January 5, 1917.

Dear Treman:

Warburg has sent me another memorandum on greenbacks and I am enclosing copy of my letter to him, together with memo. in respect to the plan, which please hold in confidence until you hear from him direct, as he has sent it to me for my personal views.

Very sincerely yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City, N. Y.

BS/CC

Enc.

Denver, Colorado,
January 8, 1917.

Dear Mr. Treman:

I have been reading Governor Seay's argument and plan for making drafts on the Federal Reserve Banks immediately available at all other Reserve Banks. It would involve too much labor to analyze every particular of his plan and argument and I am, therefore, going to confine this comment to certain particular points relating to the general principles underlying the plan, which it seems to me Governor Seay has either overlooked or has failed to regard as of controlling importance.

THE CENTRAL BANK IDEA.

The plan is really based upon the principle of a central bank, with branches, in which the customers, while having their accounts at one office, are given facilities at all the branches of the system where their checks may be made payable at the election of the payee. Such a plan is only possible with a central bank, where the physical location of its reserves is a minor consideration and where the expense of moving reserves from one office to another is not a material consideration, because they all belong to one institution, and where, in fact, the amount held at any office need be only such amount as is required for till money. Governor Seay is led to make this mistake because of the facilities which we are now enjoying through the Treasury Department; instead of our gold reserve being one reserve owned by one institution, we are able to deposit a large part of it with the Treasury in a common fund and have gold certificates issued against it at any Sub-treasury, and by that device secure some of the mechanical and physical

To - Mr. Tremen.

January 8, 1917.

advantages which would be enjoyed by a central bank with branches. This is a fictitious situation however, good so long as it lasts, but which will disappear if our sub-treasury system is materially modified, as now seems likely. When that happens, all the advantages of a central bank now enjoyed through the sub-treasury facilities will disappear and we will be obliged either to constantly shift the physical custody of our gold reserves at great expense to ourselves, or else entrust each other with ear-marked gold funds, representing the net balances due by each of the Reserve Banks from time to time to each of the other Reserve Banks. To summarize this point, I think his plan ignores the fact that transfers of balances caused by the free circulation of checks on Federal Reserve Banks would be too expensive for us to conduct for no compensation without the facilities of the gold settlement fund and the treasury.

THE MONEY CENTERS.

Governor Seay argues that his plan will obviate the necessity for the member banks carrying accounts at reserve centers for exchange purposes. The necessary corollary of the argument being that if member banks no longer require such accounts, the Reserve Banks nevertheless will, as the exchange will be required just the same and we must stand in the breach. This argument overlooks many important facts, the principal one being that surplus funds always go to the money centers and always will, in order to find temporary employment during periods of slack local demand. One of the greatest causes of demand for exchange on New York at certain times of the year is the flow of money there for the purpose of temporary employment in stock exchange or other loans and has no direct relation to commercial transactions; that is to the commercial demand for exchange as

To - Mr. Treman.

January 8, 1917.

distinguished from what Governor Seay would consider the illegitimate financial demand. The Reserve Banks by his plan would be establishing machinery by which the enormous flow of funds back and forth between country districts and money centers for investment, loaning and other purposes would be facilitated and conducted without expense to the banks of the country. But instead of drawing money away from New York at some seasons of the year, it might even facilitate its transfer to New York. Furthermore, such movements are natural and logical, money and credit will always shift between the sections of the country and the countries of the world according to supply and demand, and no argument in support of this plan, based upon the theory that the United States should be chopped up into twelve independent autonomous sections for business and banking purposes appeals to me as reasonable or sound.

TWELVE POINTS OF PAYMENT.

At the present time when a man with a bank account pays a bill, he draws a check and sends it to his creditor, no matter where his creditor may be, and that check has only one place of payment, which is at the bank on which it is drawn. Governor Seay proposes that the check shall have twelve places of payment; an unsound proposition from every point of view, and particularly when these twelve points of payment are not offices of the same institution but of twelve different institutions.

There is a very simple principle underlying this matter. When today a man in Birmingham draws a check on the First National Bank of Birmingham and sends it to Detroit to pay for an automobile, the payee in Detroit takes the check to his bank and deposits it in order to get his money. The question of credit instantly arises between the Detroit Bank and the de-

To - Mr. Tremen.

January 8, 1917.

positor of the check. If the Detroit Bank considers its customer sufficiently responsible to insure that no loss will fall upon it if the check is not paid as its depositor endorsing is good for the amount, then the Bank of Detroit may give its customer immediate credit; in other words, advance the money on the check for the period of collection. If the Detroit bank is doubtful of the goodness of its customer, it will take the check for collection and turn over the proceeds to its depositor only when received. Where does any difference arise in the case of a Reserve Bank handling checks on other Reserve Banks and the transaction above described? In principle there is no difference. If the First National Bank of Sheffield, Alabama, with \$25,000 capital, draws a check on the Federal Reserve Bank of Atlanta and sends it to the First National Bank of Griffins Corners (of \$25,000 capital) and that bank deposits the check with us, we at once must determine whether the endorsement of the First National Bank of Griffins Corners is good enough to justify our giving immediate credit. We might be willing to do so in the case of the Chase National Bank of New York, but will we be invariably willing to do so in the case of every check of this character, no matter for what amount, which comes to us from any bank of our district, no matter how weak it may be. Presumably not, and the only way in which we would be satisfied to do so would be upon receipt of obligations from the other Reserve Banks on which these checks are drawn agreeing to pay them whether they are good or not. Governor Seay clearly appreciates the weakness of his plan at this point by proposing that a limit be placed upon the of these checks, for which immediate credit would be given, the

To - Mr. Treman.

January 8, 1917.

being a percentage of the capital of the drawing bank. That is a plan for extending credit!

Credits cannot be extended by any such foot-rule method. It would be an injustice to the strong banks, a source of danger to the weak banks and dangerous for the Reserve Banks. Looking at the other side of this picture, I would never willingly consent to having the Federal Reserve Bank of New York enter into an obligation with the other eleven Reserve Banks, undertaking to be responsible for the payment of any check drawn on us by our member banks, which might be deposited with them even though the 10% limitation applied. Who is to tell and how can we tell whether this 10% limitation is observed? Suppose a \$25,000 bank floats a series of checks, a number in each Reserve district, each one for 10% of its capital - who is going to check up the amount and where would the loss fall when checks came in representing the excess and upon which checks would it apply?

THE FLOAT.

As Mr. Hendricks will tell you, during the days when Treasury checks were payable at any one of the United States depositories, banks which received these checks on deposit were in the habit of sorting them and shipping them for collection to those points where they happened to have need of exchange. The unrestricted use of checks on Federal Reserve banks for exchange purposes would have a like result. Banks throughout the country would separate checks on Federal Reserve banks and ship them all over the country, according as they might have need of exchange at different points, and we would immediately see a new kind of float develop - not only of dangerous proportions but dangerous in character. The First

To - Mr. Treman.

January 8, 1917.

National Bank of Birmingham might draw a check on the Federal Reserve Bank of Atlanta and send it to Detroit at a time when Detroit automobile manufacturers had made large purchases of machinery in Hartford and needed Boston exchange. The Detroit bank instead of depositing the check with its own Federal Reserve Bank would ship this check to the Shawmut National in Boston; at that time there might be some demand for Philadelphia exchange in Boston and the Shawmut bank would sort out all Federal Reserve bank checks, no matter on what bank drawn, and ship this check payable in Richmond to the Girard Bank in Philadelphia. In the same way, Philadelphia might be in need of New York exchange and the Girard bank, instead of depositing the check with the Philadelphia Reserve Bank, would send it to New York; it would be cheaper than shipping currency and might result in the creation of an endless chain of checks on Federal Reserve banks in constant circulation.

SERVICE COST.

At all hazards the Reserve banks should desire to avoid getting into the position with their members where they are expected to perform all sorts of services for nothing; this is one of those cases. While the expense of shifting our reserves is now trifling, it may not always be so, and a proper plan for transfers by Reserve Banks for the benefit of member banks should recognize that expense is involved and a suitable charge should be made to cover the cost and a slight profit.

EXCHANGE ACCOUNTS OF RESERVE BANKS.

The Federal Reserve Act contemplates that the Reserve Banks shall carry exchange accounts with each other, undoubtedly for the purpose of handling transfers of the character contemplated by Governor Seay's plan.

To - Mr. Treman.

January 8, 1917.

If his plan is put into operation and there is a daily settlement through the gold settlement fund, there will be no occasion for exchange accounts between the Reserve Banks, the credit in the gold settlement fund being in fact that very account. It strikes me that the use of the gold settlement fund for this purpose is a perversion of the real purpose of the organization of the Reserve Banks so far as domestic exchange is concerned, and in the exercise of this function is making a central bank out of the system through the agency of a fund which was primarily established for the purpose of settling balances which arose through the collection departments of the banks.

LEGAL ASPECTS OF THE PLAN.

The question at once arises as to whether a Reserve Bank which gives immediate credit is making an advance to its depositor, or whether it is paying the check as agent of the bank on which it is drawn. I am only prepared to express an off-hand view as to the legal points of the plan. It strikes me that we have got to choose between having the immediate credit take the form of an advance on an uncollected check, in which case the advancing bank must rely upon the goodness of its depositor who endorses the check, or accept the principal that each of the Reserve Banks pays these checks in behalf of the Reserve Bank on which drawn. The Reserve Bank in New York in the first case would accept all the risk of loss where credit was extended to weak banks which were not entitled to credit of this character, and in the second alternative it would be obliged to assume undertakings to the other eleven Reserve banks, to be responsible for the payment of any checks which might be deposited with them, drawn upon its member banks. I would not be willing to see our bank assume

To - Mr. Treman.

January 8, 1917.

unlimited responsibility of this character on either theory of the transaction.

On the whole, I think the best answer to this suggestion for parring Federal Reserve Bank checks is to combine the present telegraphic transfer service which we have recently put into operation with the plan suggested in Mr. Jay's letter to you of December 19th; the latter with a slight modification. Mr. Jay proposes that special drafts be used, payable only at a nominated Reserve Bank, which must go direct to destination and not to some other district than the one in which it is payable, and that suitable advices be exchanged so as to insure the regularity of the payment. He apparently relies entirely upon the advice to be sent by the Reserve Bank on which the draft is drawn. I do not think that would meet the situation and illustrate one defect by taking the Texas district. If a member bank in El Paso drew a draft on the Federal Reserve bank of Dallas and sent it to San Francisco, making it payable at the Reserve Bank of San Francisco, the advice would take one day at least from El Paso to Dallas and two and a half days from Dallas to San Francisco, making three and a half days at the least before San Francisco would be authorized to pay the draft; whereas the draft might be presented in San Francisco in two days. It seems to me that the drawing member bank is the one to send advice, both to the bank on which it draws and to the bank where the payment is to be made. Might it not be possible as a modification of Mr. Jay's plan to provide that any member bank might have a drawing credit arranged between its own Reserve Bank and the Reserve Bank of any other district up to a specified limit? In each instance Reserve Banks to be responsible for the

To - Mr. Treman.

January 8, 1917.

drawings of its own members up to the limit named, and, in order to insure correctness, signatures, etc., to be furnished in each case. This would be similar to arrangements now quite common by which interior correspondents of New York banks and bankers draw foreign exchange on London and continental banks, under drawing credits which are guaranteed by their New York correspondents. For example, the Bankers Trust Company might enter into an arrangement with the Cleveland Trust Company, by which the Cleveland Trust Company could draw drafts or issue travelers credits up to a certain amount within a given period on the London City and Midland Bank, the Bankers Trust Company being responsible for the payment of the drafts at the London City & Midland Bank and protecting itself by whatever form of obligation or security that it thought necessary from the Cleveland Trust Company. Under those credits, the signatures, etc., of the officers of the Cleveland Trust Company are furnished to the London City and Midland Bank and the drafts paid are charged to the account of the Bankers Trust Co.

In reading Governor Seay's memorandum, I am very much struck with his failure, as I view it, to take a correct view of certain fundamental banking principles. On the first page in stating the purpose of the plan he emphasizes that it avoids imposing upon member banks the necessity of maintaining accounts with correspondents for exchange purposes, and generally lessens the accumulation of bank balances in centers outside of a given district. This exhibits a good deal of confusion of thought as to our present banking system. The Federal Reserve Act aimed to decentralize the unnatural and forced accumulation of balances at the Reserve centers

To - Mr. Tremen.

January 8, 1917.

which had been designated as "Reserve and Central Reserve Cities", thereby necessitating banks in the interior to carry balances there for reserve purposes. Certainly this was a desirable object, but I cannot understand any experienced banker claiming that there is anything improper, uneconomical or unsound in banks carrying accounts for exchange purposes with each other - that is what banks are for. The interchange of commerce the world over necessitates establishing relations of this character. The flow of funds from one market to another for loaning and investment purposes gives rise to the same necessity and to base any argument upon the claim that accounts of that character should be avoided, or suppressed, seems to overlook the very first principles of banking. There have been two objectionable features in our banking system. One is the unnatural accumulations of balances for reserve purposes and the other is the unnatural accumulation of balances to compensate agents for collecting checks. These two developments we want to eliminate from our banking system, but to eliminate accounts for exchange purposes would be just about as sensible as eliminating railroads so as to avoid the expense of shipments of goods.

Mr. Seay states at the foot of page 2 and the top of page 3 that 90% of the National banks keep balances in New York for exchange purposes, although many of these banks have very limited direct relations with these cities. This I cannot understand - no bank keeps an account for exchange purposes that has no demand for exchange. They keep accounts for all sorts of purposes, some of which we want to eliminate and some of which we cannot possibly eliminate and one of the latter is "exchange purposes".

I take issue with him absolutely with the statements in the first

To - Mr. Tremain.

January 8, 1917.

two paragraphs of page 4. The cause of the breakdown in domestic exchanges in past years has been due to unreasonable impulse, due to fear, of the interior banks to yank their balances out of New York correspondents in order to have currency in their own vaults, and formerly the only kind of currency they could get came out of the reserves of their correspondents. The power to issue Federal Reserve notes and the breaking up, as we ultimately must, of the system of giving immediate credit for checks payable at distant points will protect our banking system against similar breakdowns in the future.

On page 8 Governor Seay states that the amount of checks cashed by the Reserve Banks on each other will about offset. His personal experience in this matter in the early days of the Reserve System and since we started giving immediate credit on Richmond checks should convince him that this is not so. There will be seasons of the year when immense balances will be owing from some Reserve Banks to others, and doing this business without charge, which will make it difficult to control it.

At the foot of page 11 he states that the Reserve System has superior advantages in making transfers. It has no advantage not now enjoyed by member banks, except through the courtesy of the Treasury Department.

In conclusion, I believe this plan does violence to the principles for which we have contended for two years in devising a collection system which will be sound; that it violates sound banking principles which it was the object of the Reserve Act to develop and foster; and that the same objects sought by this plan can be perfectly well accomplished without

To - Mr. Treman.

January 8, 1917.

ignoring the principles which we have now established, by employing a system of telegraphic transfers and a system of check transfers such as suggested by Mr. Jay.

Very sincerely yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

COPY

Denver, Colorado,
January 9, 1917.

Dear Mr. Treman:

I have yours of January 2nd and 3rd and cannot tell you how greatly I regret the difficulties that seem to have arisen in connection with our Washington relations. It certainly seems unfair that you should be burdened with these which are really my particular difficulties that you have inherited and for which you were not in any way responsible.

Possibly it is just as well to speak to them unofficially, or at least informally, about negotiations of the Bank of France, but I doubt the wisdom of any formal application for authority to negotiate. Negotiations are already started and it would seem like admission of a false move to make application now. The Board is simply required to give its consent to an appointment and our negotiations are necessarily subject to their ultimate consent.

I note what you say about the acceptance rates. Personally I do not think we need worry about a domestic market for acceptances when the volume of bills develops, as I have frequently written. The difficulty will be to cultivate volume and there will be plenty of buyers for bills whenever the rates advance a little.

Governor Harding's letter is to me unexplainable and unpardonable. It is difficult for me to suggest a course in such a matter without being in intimate contact with everything that has transpired, but personally I have made it a rule never to permit anyone to address me in that fashion without demanding justification and getting it, but I shall, of course, do nothing at all about the matter, which would only complicate things and make them worse.

To - Mr. Treman.

January 9, 1917.

No letters will be sent to France or England, nor in fact have any been sent which have not been sent through the bank and copies furnished. Copies were omitted of the letter to the Bank of England and are enclosed with this.

Mr. Locke's comment I think is justified and sound. Of course I am wondering to what extent these matters that have recently developed may result in some criticism of my own direction of affairs at the bank. Please do not fail to advise me promptly and fully of anything of that character that develops so that I can furnish you with information or comments in detail. The committee procedure will I hope straighten everything out. The whole thing is of course serious and yet it has an amusing side because it gives at least one of our good directors (yourself) and possibly others through you a better understanding of the difficulties of running a Reserve Bank than would otherwise be possible.

Yours of the 3rd advises an advance in the acceptance rate of about one-fourth. I hope you have in mind that the advance is being made in the face of increasing bank reserves and reducing interest rates.

I am delighted with the salary changes reported, which are fine and thoroughly justified in my opinion. Also will you not convey to the directors my deep appreciation of their action in re-electing me to my present office and my regret that I am not there to say this personally and to take up my duties.

You again refer to application for negotiations with the Bank of France. I do not think I would make that application formally but discuss it informally as a matter of information.

To - Mr. Treman.

January 9, 1917.

Confidentially, Mr. Roberts of the National City Bank is here - at a most opportune time on account of his familiarity with our coinage system, mint practice, assay office practice, etc., and I have taken the liberty of consulting him in regard to the Bank of England letter, he as you know having been consulted once before on these matters. It would be just as well, however, to consider that he was acting in a confidential capacity in advising us.

I am enclosing a letter from the Foreign Trade Council which was really intended for the bank I suppose.

Don't worry about my health - I am getting along all right and the doctor is keeping a very close eye on me.

Warmest regards to you and all at the bank. Let me know how things come out at Washington.

Very sincerely yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

Denver, Colorado,
January 10, 1917.

Dear Mr. Treman:

Thank you for yours of the 5th. The only point requiring comment is in regard to the acceptance rate. I am convinced the Board has made a mistake in advancing rates at this time. Let me repeat that the first thing to accomplish is to develop a large volume of bills. The way to do that is to make our rate, and keep it, so much below the London rate that institutions the world over are forced even against their will to open New York credits. If the Board desires me to do so, I will prepare a memorandum which I hope will be convincing on this point.

Yours very truly,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Denver, Colorado,
January 10, 1917.

Dear Mr. Treman:

Yours of the 4th is just received.

My suggestion that no formal application be made to the Board for consent to negotiate with the Bank of France possibly should have been elaborated. The statute contemplates no such procedure and certainly arrangements of that character should be undertaken upon the initiative of the management of the bank and not of the Reserve Board. Furthermore, in the particular case of the Bank of France, negotiations have in fact been under way for nearly a year, subject of course to the necessary consent of the Board. It would be a most unusual procedure for us to ask consent to negotiate and would establish a precedent that might embarrass us in the future. Negotiations of this character might not always originate with us and we must not be in position where we are obliged to reply to advances of this character made by foreign institutions, but we must seek permission before discussing relations.

My best views of the deNeuflize situation are as follows:

If Monsieur Pallain desires us to negotiate with him, or if deNeuflize desires to act as intermediary, he should be the one to take the initiative in securing authorities; we should not make the suggestion. Again, it is highly important that no material difference of terms should exist in the arrangement with the Bank of England and the arrangement with the Bank of France, so that the arrangements with the Bank of England should be first concluded and form the basis of negotiations with the

To - Mr. Treman.

January 10, 1917.

Bank of France. If, on the other hand, it will be satisfactory with Pallain to have a temporary account between the two institutions, I can see no objection to going that far at once, but difficulty is bound to arise as to the terms of our account with them. We cannot afford to deposit funds with the Bank of France without a definite understanding about the gold basis. I can assure you, as I think you will realize after reading my draft of the letter to the Governors of the Bank of England, that this is a very technical, precise matter, to be dealt with accurately and without possibility of error, and relations could not possibly be established with the Bank of France along the broad lines of those contemplated with the Bank of England without a very careful study of the subject and a very different understanding in writing. So my suggestion as to procedure is for the present to await the receipt of Pallain's letter which he cables is on the way, and the receipt of a cable from Cunliffe in response to our letter, then we will know where we stand.

I do not think you recall advices contained in my former letters about my correspondence both with the Bank of France and the Bank of England. I have written no letters to either institution, nor have I received any from either, of which copies have not been furnished to the bank and all of my correspondence has gone through the bank. It would be quite improper to conduct it otherwise. The correspondence i with Pallain consisted first of a letter from him introducing deNeuflize and my reply written while I was in New York; later a long letter from Pallain suggesting relations and our purchasing bills and then my letter in reply, pointing out the difficulties of that course, which went through

To - Mr. Treman.

January 10, 1917.

the bank. At the same time I wrote him about our Clearing House arrangements, also through the bank, and asked to send certain date, in reply to which he recently wrote us a letter of which you sent me a copy; this copy by the way has been mislaid and I will ask you to send me another on receipt of this. The last exchange with Pallain was the cable received and my reply, of which you have copies. I think the above answers the questions contained in your letter, and I am sure is the correct course to pursue with the Bank of France. I will go ahead with the matter promptly when Pallain's letter comes and, of course, if the Board prefers earlier action will write at once, but advocate the course which I above suggest. Please do not forget that cables to France even are liable to go through British censor channels and we cannot risk the displeasure of any of the parties to this negotiation by any slips.

Your questions about the Bank of England negotiations is fully answered by my letter mailed on the 8th and on that subject I now have a personal letter from Mr. Jay which he will show you, to which I am replying separately and I am asking him to show you that letter.

Recent letters from you indicate a certain amount of discouragement and dissatisfaction which effect me very much indeed. At no time have I felt the slightest uneasiness regarding affairs at the bank so long as you were there and these unfortunate occurrences in Washington really should not be permitted to disturb you as they do for we always get past them some way or another successfully and we will in this case. I don't believe you are temperamentally fitted for scrapping the way I am and don't get the enjoyment out of it. A period of rest at home will

To - Mr. Treman.

January 10, 1917.

clear your mind a good deal about these difficulties.

The last word from Dr. Sewall indicated that he would probably be willing to have me go to Europe in June. I think it is of the utmost importance that I should do so, and, if it can be arranged, take Governor Aiken with me. Then when I get back, if it is necessary I can take a short rest and afterwards resume my work at the bank permanently. With that program, even if my health should prevent remaining permanently, these particular foreign matters on which I have been dealing would be put in such shape that there would be no difficulty in my successor taking them up. I am, of course, counting on returning perfectly well and able to do more than ever.

I would appreciate a line from you as soon as possible, advising me how the different members of the Board lined up on this question of the Bank of England relations.

With warmest regards,

Faithfully yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Denver, Colorado,
January 11, 1917.

Dear Mr. Treman:

The enclosed copy of a letter to Mr. Warburg regarding amendments supplements the memorandum already sent you. I hope you and the others will give this consideration and make known your own views strongly to the Board.

Yours very sincerely,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Enc.

Denver, Colorado,
January 11, 1917.

Dear Mr. Treman:

I am returning herewith the statements of Acceptances Purchased, Liabilities of Drawers, Endorsers, etc., which I have just been over. They are very interesting, particularly in exhibiting the growth of the business and the variety of names of institutions and firms now accepting. There seems to be no particular comments required as to the names as I have written so recently on that subject.

I wrote you rather hastily yesterday about one or two matters and upon reading over the letters afterwards, felt that they might have read a little short; it is just because I am trying to economize my working time a bit.

The principal question of Internal policy is the one about rates for bills, and I am getting a little anxious at the policy of the bank in advancing its rates to 3% minimum in the face of an inevitable decline in money rates in New York and the certainty, I believe, of an artificial ease of money in London in connection with the new war loan.

Your letter, as well as others from the office, indicate that the sole consideration actuating the Board in making this advance is to develop a wider market for bills among our banking institutions; this strikes me as the last consideration to influence the Board at the present time.

At the risk of reiteration, let me described just what the situation is as I view it in the development of American credits. The normal volume of bills in England prior to the war was 500,000,000 sterling, of all varieties; the volume of bills in this country today is probably between \$200,000,000 and \$250,000,000, certainly not over 10% of London's normal volume. Our first

To - Mr. Treman.

January 11, 1917.

problem is to develop volume of bills, and you may be sure that the market for good bills will take care of itself. It will develop almost over night with astonishing rapidity whenever rates for that class of paper are permitted to advance. The only means at our command now to develop volume of bills is to make our rate compare so favorably with rates in London that the pressure on drawers of bills becomes irresistible; it is practically our only leverage and one that we should not forego so long as we are in position to use the resources of the Federal Reserve System without impairment of our strength to keep the acceptance rate down. At the present time American banks are represented in foreign countries by about one-half dozen branches in London, Paris and Berlin, of three or four New York Trust Companies, by the branches of the National City Bank in South America and Russia, by the branches of the International Banking Corporation throughout the East and, in a very limited way, by the Mercantile Bank of Americans in South America; this is our foreign banking system. Banks of other nations are represented in New York by the agencies of the Canadian banks, the two English chartered banks, the Yokohama Specialties Banks, one or two banks doing business in South America, and that is about all. As against this, the English system has the world covered with branches and agencies, and the great banks of the world are to a large extent represented by their own agencies in London, so that, in fact, outside of the 76 joint stock banks doing a purely domestic business, there are no less than 150 agencies of foreign banks with offices in London, not to speak of the great number of foreign trade banks of English ownership authorized to do business in all parts of the world.

Furthermore, English trade has given them direct mail routes to the

To - Mr. Treman.

January 11, 1917.

remotest parts of the world and we have practically none. Just consider the variety of handicaps which our system encounters, offset solely by the advantages of lower rates and possibly more certainty of gold payment.

Foreign bankers who buy bills don't know the names of American banks even, they don't have the benefit of prompt mail communication with New York, they don't understand the credit of American trading houses, they don't get quotations regularly of New York discount rates, they don't get reliable and dependable forward rates quoted to them, they don't even know how to convert foreign currencies into dollars, there are very few conversion tables printed adaptable to most of the foreign currencies, there are few local newspapers printing American news bearing on finance and trade, whereas newspapers are printed in English the world over and foreign bankers and merchants almost universally subscribe for one or more English papers. In some parts of the world like New Zealand and South Africa the English banks have arranged cartells, which are reported to actually discriminate against American bills. In India I am informed that bills drawn in dollars are converted from dollars into sterling and sterling into rupees, giving us all the disadvantages of the English rate at a discount, as contrasted with ours at a premium if figured correct.

These are not all the obstacles to be overcome in establishing dollar exchange in the different parts of the world, and if the difference between the New York and London rates is not kept attractive, so attractive indeed that it will advertise itself and establish itself, the absence of banking machinery, of ownership and knowledge of American banking affairs may make it impossible for us to develop a sufficient volume of business during the short period of the war to make it of permanent value to us after the war is over.

To - Mr. Treman.

January 11, 1917.

It is undoubtedly a fact that unless American rates are maintained below foreign rates for the use of liquid banking capital, there will be no inducement for our institutions to open branches abroad, and it is for these reasons that I so strongly urge the directors to continue with courage and independence the policy of keeping rates for bills low and steady.

Midst all of the perplexities of the past few weeks I hope you get time for rest and some change, that you don't get discouraged and that you will always remember you have a sympathetic associate out here in Denver who is longing to be back in the fray with you. Why don't you run out and see me?

Faithfully yours,

RH. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Denver, Colorado,
January 15, 1917.

Handwritten:
Bureau
Federal Reserve
In Director's Office
has copies of
letters with
R.E. [unclear]
[unclear]

Dear Mr. Treman:

I have your two letters of the 10th. Developments during the past two weeks have necessitated a frank exchange of views by mail on various matters which ordinarily would be discussed in the office and of course I am most anxious that my letters should not be misunderstood and particularly that they should not be accessible generally to the office. May I, therefore, suggest that they go into your personal files where in your judgment it seems necessary to safeguard their contents. Of course Mrs. McLaren is thoroughly acquainted with all of these matters and I have no doubt will be glad to relieve you of any bother in that connection. While I marked that long letter regarding Bank of England relations "confidential" it was, of course, intended to be used by you and your associates in dealing with this matter and I made it as full as possible so that you would be posted in every particular. I am glad you conveyed its contents to Mr. Peabody and now I am awaiting with a good deal of interest and anxiety the result of the Committee's Washington visit.

Mr. Lock's letter, with characteristic brevity and forcefulness, it did me good to read. I judge from the last sentence that difficulty has arisen regarding Mr. Curtis' salary; that is most unfortunate. I think the Reserve Board should be broad minded enough to accept the judgment of our directors in these matters.

To - Mr. Treman.

January 25, 1917.

The work of framing up the Bank of England and Bank of France letters is, of course, exacting. We cannot afford to make mistakes but the real work of putting the plan into operation must be conducted personally in London and Paris, and I hope our Board will see the wisdom of another trip there for that purpose. I like to get all the news and you have been more than good in keeping me so well posted. Let me know what is the fate of the letter to the Bank of England as soon as possible, as the preparation of the letter to Pallain will necessarily depend upon the outcome of the London correspondence.

I am glad to hear that the vault transfer has been successfully completed.

With warmest regards,

Faithfully yours,

R. S. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CO

OF SERVICE DESIRED

Day Message	
Day Letter	X
Night Message	
Night Letter	

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, VICE-PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

Receiver's No.
Check
Time Filed

Patrons should mark an X opposite the class of service desired; OTHERWISE THE TELEGRAM WILL BE TRANSMITTED AS A FAST DAY MESSAGE.

and the following telegram, subject to the terms on back hereof, which are hereby agreed to

Denver, Colorado, January 15, 1917.

R. H. Treman, Federal Reserve Bank,
New York City, N. Y.

Believe Board should only be informally advised of French negotiations which will be conducted subject to their ultimate consent stop. Formal application and consequent publicity might seem to commit us to concluding an arrangement of some kind whereas it would be more prudent to ascertain first what kind of an arrangement can be effected before appearing to be committed stop. Paris situation much more uncertain than London both personally and financially stop. Am writing fully.

Benjamin Strong.

Chg. Benj. Strong,
4100 Montview Blvd.

ALL TELEGRAMS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS:

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 the one-half the unrepeated telegram 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 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 exceeding one-tenth of one per cent. thereon.

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 filed 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 the 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:

A. Day Letters may be forwarded by the Telegraph Company as a deferred service and the transmission and delivery of such Day Letters is, 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 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 midnight 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 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.

No employee of the Company is authorized to vary the foregoing.

Denver, Colorado,
January 16, 1917.

Dear Mr. Treman:

Your night letter regarding the Bank of England letter is just received and for the sake of accuracy I quote it as follows:

"Kent makes following suggestions regarding your letter stop. Paragraph seven section B if we should order gold earmarked at seventy seven three quarters when our correspondent was obliged to pay say seventy eight for gold in times of active bidding, it might occasion him loss stop. Kent has no suggestion that will meet situation but thought possibility should be understood on both sides stop. Page four section A line two he queries whether word "less should not read "plus" stop. Same section he queries whether if correspondent required us to earmark large quantity bars which it later released to us we might not under agreement have to absorb assay office charge stop. Paragraph fifteen he suggests adding at end following words "and should it be possible to do so" stop. Thinks otherwise we indicate willingness to do something which may be impossible stop. Please instruct which if any of these points you wish dealt with either in original letter or in supplementary letter."

In reply I have just sent you a day letter as per enclosed confirmation. These telegrams indicate the desirability in a matter of this sort of repeated checks as a little slip may involve serious consequences. The important mistake was in the use of the word "less" and I am now so glad that you were cautious in having everything checked over.

Referring to the suggestions in order, first please read copy of Cokayne's letter of June 15th in which he states that Lord Cunliffe had suggested the rate of 77 s. 9 d. and the establishment of the account on the basis of "standard" gold rather than "fine" gold, so my letter was prepared accordingly and I hardly see the necessity for making any suggestion to him in this regard. Possibly you don't realize the extent to which the Bank of England carries gold in standard bars. If I am not mistaken the great bulk of its gold stock is always in bars and the great bulk of its dealings in gold is in bars rather than coin, so that the suggestion of

3.
2.

January 16, 1917.

Mr. Treman.

any possible loss when the Bank of England is paying a premium for gold doubtless never occurred to them.

The transactions of the Bank of England in normal times very infrequently involve paying any premium over the statutory price of 77 s. 9 d. If war conditions now or later give rise to a change of the bank's policy in that regard, naturally the suggestion should be made by them as to any modification of price. Furthermore, I don't think our arrangement should in fairness to our own system contemplate the recognition of a premium on gold in England as effecting the rate at which accounts are to be settled between the two institutions. The whole plan is based upon the principle of a statutory rate for gold—that is 77 s. 9 d. rather than a minimum price for gold with unlimited fluctuations above that minimum.

As to the second suggestion, I am of course mortified at the error which seemed to have escaped both Mr. Roberts and me. To illustrate the point, if we should be earmarking gold for the Bank of England and receive one United States standard mint bar from the assay office of exactly 1000 ounces weight, it would cost us - \$18,604.651 plus the assay office charge of 50¢ per 1000 in value - 9.302, so that the total cost of the 1000 ounces of gold to us would be - - - - - \$18,613.97, which is the amount that should be charged to the account of the Bank of England in order that we might sustain no loss. On the other hand, when we came to re-credit this same bar of 1000 ounces under the terms of the arrangement, we would be expected to credit their account with \$18,613.97, and I understand that Mr. Kent raises the query as to whether we might not be called upon to pay a further charge to the Assay office for melting and assaying this bar

January 16, 1917.

... we surrendered it for exchange into gold certificates.

That may be the case and of course it is desirable that the attitude of the assay office or of the treasury department be ascertained. There seems to me no reason why we should pay further charges if we are willing to enter into an undertaking with the assay office to re-deliver to them in our transactions in this account only United States standard mint bars which we have received directly from the assay office and which have never left our possession; there might in that case be a small melting charge but we would avoid the heavier charge for assaying.

Of course an account of this character cannot be so conducted that all of these necessary expenses are put on the other side of the account for some of them must be absorbed in the rate of exchange. (See my letter in reply to Cokayne's letter of June 15th on this point). As to the 4th suggestion, - adding the words "and should it be possible to do so" at the end of paragraph 15, I think it is wise and prudent.

As Mr. Roberts is quite familiar with this matter, it would be wise to go over the proposed changes with him, and I am hopeful that with his advice and assistance you will be able to effect some arrangement with the assay office to obviate superfluous charges on bars which we receive from the assay office and later re-deliver to them. If necessary, I think the matter should be taken up with the Secretary of the Treasury.

In this connection you doubtless now realize the importance of the suggestion made sometime ago about dealing with the whole subject of gold bars. If we can carry a large stock on hand at all times, it will be of great advantage in dealing with this account, and the present time when the

To - Mr. Treman.

January 16, 1917.

assay offices are so crowded is a most desirable one to negotiate an arrangement, as we could doubtless hold a stock of fifty or a hundred millions without inconvenience, if we could avoid the charges.

In this connection I think we should consider the terms of a possible announcement to be made when the arrangement is concluded and I am enclosing a tentative suggestion for you and the others to consider and if it meets with your approval, think it might be well to address a letter to the Governors of the Bank of England, asking them to advise us of their view on the subject, and arranging for the simultaneous release of the announcement on both sides at a date and hour to be fixed by cable. Please don't hesitate to make any changes that seem wise in my enclosure.

Another suggestion is that all of the original papers relating to this arrangement be very carefully assembled in one file and located in a confidential compartment in the vault, as they should not be subject to examination in the office.

I am anxious to get an expression of the views of our Board as to this matter, as well as any views that Mr. Kent expressed and hope that you will write me fully.

Also I would like to be advised of what steps are being taken with the other Reserve Banks, who should be particularly cautioned as to the confidential nature of the plan and some expression from the office as to the extent of our operations when the agreement is concluded. My idea is to do a very limited business at the outset and only under exchange conditions which have been very carefully studied and then later, if I am able to go to London this summer, elaborate and extend the operations while on

To - Mr. Treman.

January 16, 1917.

the ground personally, and do the same thing in Paris if we make sufficient progress to justify doing so.

While on this subject will you and the others please consider whether we might not advance some similar suggestions to the Bank of the Netherlands just as soon as we get an answer from Lord Sulliffe.

I am hopeful now that this matter will be promptly concluded and will prove to be the beginning of a great advance in our system.

Many thanks for your telegram and suggestions.

Very sincerely yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Enc.

Denver, Colorado,
January 16, 1917.

Negotiations for establishing relations between the Bank of England and the Federal Reserve Bank of New York, which were commenced by the Governors of the respective institutions in London in March 1916, have now been concluded. The arrangement provides that the Bank of England will act as the correspondent and agent in London of the Federal Reserve Bank of New York and that the Federal Reserve Bank of New York will act in a similar capacity in New York for the Bank of England. It is not the purpose of the plan that these institutions engage in commercial foreign exchange transactions, but they will maintain with each other mutual accounts of deposit and represent each other in the purchase of bills and the conduct of transactions in gold and gold coin.

Provision is made for participation by other Federal Reserve Banks of the United States desiring to join in the transactions contemplated.

The relationship is primarily for the purpose of affording greater stability to rates of exchange in normal times and in order to create machinery by which expensive and unnecessary international shipments of gold may be reduced or avoided.

CLASS	SERVICE DESIRED
	Fast Day Message
	Day Letter
	Night Message
	Night Letter

Patrons 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

GEORGE W. E. ATKINS, VICE-PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

Receiver's No.
Check
Time Filed

and the following telegram, subject to the terms on back hereof, which are hereby agreed to

Denver, Colorado, January 16, 1917.

H. H. Troman, Federal Reserve Bank, New York City, N. Y.

Right letter received stop. My letter simply accepts Cunliffes suggestion of seventy seven and three quarters rate for earmarking gold which was contained in Cokaynes letter of June fifteenth of which you have copy therefore doubt wisdom of any other suggestion stop. Word "plus" should be substituted for word "less" stop. Suggest you have conference with assay office authorities and George E. Roberts to ascertain possibility of further assay office charges provided we surrender only mint bars in case of recredits stop. Have you followed up my suggestion about policy of holding bars which was suggested for this reason stop. Agree to wisdom of suggested addition paragraph fifteen stop. The changes should be made in original letter instead of by supplement if possible and first page copied on bank letterhead stop. If further change desirable following assay office

ALL TELEGRAMS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS:

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 one-half the unrepeated telegram 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 and 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 other 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, which 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 filed 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 the 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:

A. Day Letters may be forwarded by the Telegraph Company as a deferred service and the transmission and delivery of such Day Letters is, 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 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 midnight 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.

Form 1206

CLASS OF SERVICE DESIRED	
Priority Message	<input type="checkbox"/>
Day Letter	<input type="checkbox"/>
Night Message	<input type="checkbox"/>
Night Letter	<input type="checkbox"/>

Patrons 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

GEORGE W. E. ATKINS, VICE-PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

Receiver's No.
Check
Time Filed

and the following telegram, subject to the terms on back hereof, which are hereby agreed to

2.

conference please telegraph me particulars stop. Show proposed changes to Roberts for final check stop. Please wire me how our Board and Kent view proposed letter and send me copy as finally mailed.

Benjamin Strong.

ALL TELEGRAMS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS:

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 one-half the unrepeated telegram 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, and 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 other 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, which 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 filed with the Company for transmission.
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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 the initial rate for each additional 10 words or less.

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A. Day Letters may be forwarded by the Telegraph Company as a deferred service and the transmission and delivery of such Day Letters is, 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 a day after the date of its date in the case of night letters; 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 midnight for delivery on the morning of the ensuing business day, at rates still lower than standard night letter 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, if 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.

Denver, Colorado,
January 16, 1917.

Dear Mr. Treman:

Realizing the value of Kent's advice in such matters, I am taking the liberty of writing him a letter as per enclosed copy, and he will doubtless stop at the office in response to this and ask Mrs. McLaren to take some dictation, which I hope will be entirely satisfactory to you.

Yours very truly,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Enc.

Denver, Colorado,
January 16, 1917.

Dear Mr. Treman:

X 2 2
Yours of the 11th is just received. I will be much interested in getting a detailed account of the Washington experiences of the committee and it is rather important that I should have them so as to keep straight on future procedure. As requested, I am telegraphing you today in response to your inquiry about the wisdom of making formal application to the Federal Reserve Board for permission to enter into banking relations with the Bank of France. Confirmation is enclosed.

This course, if followed, will I fear lead to embarrassment, as I have previously written, nor does the law contemplate that any preliminary application of this kind shall be made. It is a great advantage in negotiating to conduct our negotiations subject to ratification and approval, which was the case in England and should be the case with the Bank of France. In each instance those institutions require similar ratifications from their Boards, so that announcing now that we had permission to enter into relations might be construed by these Frenchmen as meaning a good deal more than it really does. Had you dealt with these Paris Bankers as I have on a number of occasions, you would realize that they jump at conclusions with much greater freedom than the Englishman does and an announcement similar to the last one would imply much more to them than it does to us.

Another reason for deliberation is the difference in methods and conditions between Paris and London. London is a free gold market and making the gold market means no more to the Bank of England than

To - Mr. Treman.

January 16, 1917.

entering into any other obligation. That is not the case in Paris where the Bank of France secures certain protection from its right to pay in silver, which it sometimes exercises, the effect being to throw the burden of the foreign exchanges at times upon London. There will be much more difficulty in arranging matters satisfactorily in Paris than in London and it is important that they should not get the impression that we are ready to conclude any arrangement on any terms but our own.

Still another point is that banking conditions in France are not nearly as stable as in London, the country is, of course, much more liable to invasion than is England and it may be desirable to introduce some safeguards in our arrangement there which we would not consider necessary in London.

In general, you will gather that I think we should be deliberate and cautious so far as action by the Reserve Board is concerned, but nevertheless proceed promptly with our negotiations, subject to the Board's ultimate consent, and that of course I expect to do as soon as Pallain's letter is received. Meantime I hardly see how it is possible to do anything.

You suggest that I may ask Pallain to make clear de Neuflyze's position. I hesitate to make any such suggestion. Is not it a matter in which Pallain should take the initiative? Inquiry as to de Neuflyze status might be construed that he is assuming authorities to deal with us and of course we don't want to get him in trouble, so on the whole my inclination is to go right to him with direct negotiations unless Pallain voluntarily desires us to deal with deNeuflyze.

To - Mr. Treman.

January 16, 1917.

*Retract
copy
C. A. B. P. A.*

There is one feature of the question of foreign banking arrangements which ought to be carefully considered at once and taken up with the Board in Washington, but I think directly by the bank rather than by me; I am sorry to have overlooked it before. The Board takes the position that the authorization for us to appoint the Bank of England is a matter which the Board must report to Congress and make public and that their making the announcement was no violation of my confidence, which applied to the terms of the arrangement rather than to the fact of the appointment. It was never remotely contemplated by Lord Cunliffe or by me that the terms of our relations would ever be published or made known to anyone outside of the two institutions. Can it be possible that the Reserve Board will take the position that the terms of this arrangement when ratified must also be published? It may materially modify the attitude of the Bank of England and certainly we would not be justified in concluding an arrangement with them in the expectations that it would be published without having been fully informed of this feature in advance. Therefore I suggest that inquiry be made of the Board as to whether we may rely upon the terms of whatever arrangement we enter into being guarded as confidential and not made public. Can this be done at once and advice sent to me?

I hope our Board will continue without abandonment to pursue the policy of marketing government long bonds just as rapidly as purchased and converted and that efforts will be made to induce the Secretary of the Treasury to convert additional amounts of the one year notes so that they also can be marketed. A year or two from now we will be mighty glad to have pursued this policy.

To - Mr. Treman.

January 16, 1917.

It does not seem as though our Board and the Denver office was in agreement as to the policy for open market rates on bills. We must be very careful to avoid creating the impression that our rates ramble around in an aimless fashion, following the vagaries of the call money market. The effervescence of December was bound to be temporary and it seems that my own feelings about the rate were pretty well justified by subsequent developments. A letter mailed a few days ago gives this in more detail. Please always bear in mind one thing about my correspondence out here - nothing in the nature of official mail ever goes out from here except it is sent to you for examination and approval, and you may be sure that no slips will occur by our getting at cross-purposes, for I send all the mail about this foreign business to the bank.

Please write me fully about Washington.

With best regards,

Faithfully yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Denver, Colorado,
January 18, 1917.

Dear Mr. Treman:

I am hurrying to get off the Bank of England letter so will simply call attention to the fact that the first page should be re-written on our letterhead, a copy of the original memorandum should be attached and there should be enclosed suitable instructions and forms to enable the Bank of England to open a deposit account with us.

I sincerely trust that this letter is in form absolutely satisfactory to the officers and directors of the bank.

Best regards to you all.

Yours very sincerely,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Enc.

Denver, Colorado,
January 18, 1917.

Dear Mr. Treman:

Yours of the 13th is received and whets my appetite for a more detailed account of the Washington meeting. I fear from your letter that there may have been considerable warmth, and if these gentlemen had been alert to their rights, they would have insisted on having a copy of the stenographer's report, or else insisted that no more be in attendance. Later on I presume you will have full particulars and write me all Mr. Curtis will bring on account when he comes. I am looking forward keenly to the meeting with him.

About the letter from the President of the Bank of Montreal. It seems to me we should point out in replying that the Federal Reserve Act contemplates the establishment of relations with foreign correspondents to a very considerable extent for the purpose of purchasing bills abroad and regulating to some extent the international changes and for the present it is not our purpose to make appointments of that character, except we anticipate active relationships; therefore, we feel obliged to hold his suggestion in abeyance until developments would make clear the necessity of our undertaking transactions in Canada, but that he need not understand by this that the subject is finally dismissed.

My thought is that we would be very unlikely to buy bills in Montreal, consequently any funds sent to Canada would simply lie idle

To - Mr. Treman.

January 18, 1917.

on deposit without advantage to us or anybody. If we opened an account of that character simply for the purpose of dealing in Canadian exchange, we would accomplish nothing of advantage to our member banks and might appear to be interfering with their legitimate business.

I am open to conviction on this and possibly Mr. Cann, who knows that situation well, can throw some light on the possibilities of business relations.

With best regards,

Faithfully yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

WESTERN UNION TELEGRAM

Form 260

G. W. E. ATKINS, VICE-PRESIDENT

NEWCOMB CARLTON, PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

RECEIVER'S No.	TIME FILED	CHECK
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SEND the following Telegram, subject to the terms
on back hereof, which are hereby agreed to

Denver, Colorado,
January 18, 1917.

R. H. Tremen,
Federal Reserve Bank,
New York City.

Am re-writing and will mail English letter today, with all
changes suggested. Stop. Think they are all desirable and hope
Kent and Roberts approve.

Benjamin Strong,

Chg. Benj. Strong, 4110 Montview Blv.

ALL TELEGRAMS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS:

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 unrepeated telegram 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 five 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 or 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 any 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, 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. 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 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 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 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.

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Day service at rates lower than the standard telegram rates. One and one-half times the standard night letter rate for the transmission of 50 words or less and one-fifth of the standard day rate for each additional 10 words or less. Subordinate transmission and delivery of regular telegrams. 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 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.

Denver, Colorado,
January 17, 1917.

CONFIDENTIAL.

Dear Mr. Treman:

Warburg and I have had some rather confidential and, in some respects, rather heated correspondents lately about one or two matters and I sometimes wonder whether he is not inclined to deal with various matters too much from the standpoint of the theorist and student than as a practical banker. I have written him finally a perfectly frank expression of views about the points of controversy and am enclosing with this carbon copy of my letter for your eye alone, which I will ask you to return to me. Please bear it in confidence.

Yours very truly,

~~R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.~~

BS/CC

Enc.

Denver, Colorado,
January 19, 1917.

Dear Mr. Treman:

Thank you for yours of the 15th. I am glad that Mr. Roberts gave you a good account of me for I sometimes think you imagine I am not taking as good care of myself as I should.

It is just as well to discuss the matter of a Deputy Governor, but of course I am always wondering whether arrangements in that particular are exactly in accordance with your own plans and wishes. These recent developments in Washington must not be allowed to disturb you in connection with your own work at the Bank, or hasten a decision in this important matter which is of so much interest to all of us.

If you really feel that it is time to make a move for permanent arrangements, might it not be well to consider whether if Aiken can come to New York, he should not defer doing so until I am able to get back and make that trip to Europe and then let him go with me so as to familiarize himself thoroughly with the details of that important matter, become acquainted with the principles on the other side and be in position to step into my shoes in case I were ultimately obliged to retire. Dr. Sewall feels confident of my being able to go by June and I suppose I could make a short visit to New York before that almost any time after the weather improves. I cannot make any very definite plans until I learn what progress you make at the office in these matters.

I do not agree with the attitude of the Board about Mr. Curtis' salary. The salaries of the executive officers of the bank are not unduly large when one considers that we are one of the largest banks in

To - Mr. Treman.

January 19, 1917.

New York, that we have immense responsibilities, that our work is peculiarly difficult because so new, and that almost without exception they are hardly more than half in amount those which are paid to officers holding corresponding positions in the big banks and trust companies. Besides that Mr. Curtis has peculiar qualifications which make him of unusual value to us and to the other Reserve Banks, for all of which he should be adequately paid. Besides that Mr. Jay's salary should be increased and I will be very much disappointed if that is not promptly done.

Mr. Kains has, as you say, been seriously ill, but I hear from him still quite regularly and he really is improving wonderfully well.

No comment is necessary about the application to negotiate with the Bank of France, which I judge has been fully covered by my former letters and the action taken.

About Mr. Kenzel's letter to Mr. Calkins, I am sorry not to agree with his views and the emphasis he puts upon the desirability of developing a broader market for bills. This is fully covered in my letter to Warburg, of which I sent you a copy confidentially. This San Francisco application emphasizes clearly the inconsistency of our position and the fact that it is untenable for us to assume to hold rates above the market and starve the whole system. We will be obliged to reduce our rates pretty promptly now, or the whole system will suffer a serious reduction of earnings and one consequently will be the renewal of the charge by member banks that we are competing with them. Is not it also beyond our power to make an exception of San Francisco by executing special orders

To - Mr. Treman.

January 19, 1917.

at rates below our own rates when we are acting under an agreement to which all Reserve Banks are a party? I am afraid we may be criticized.

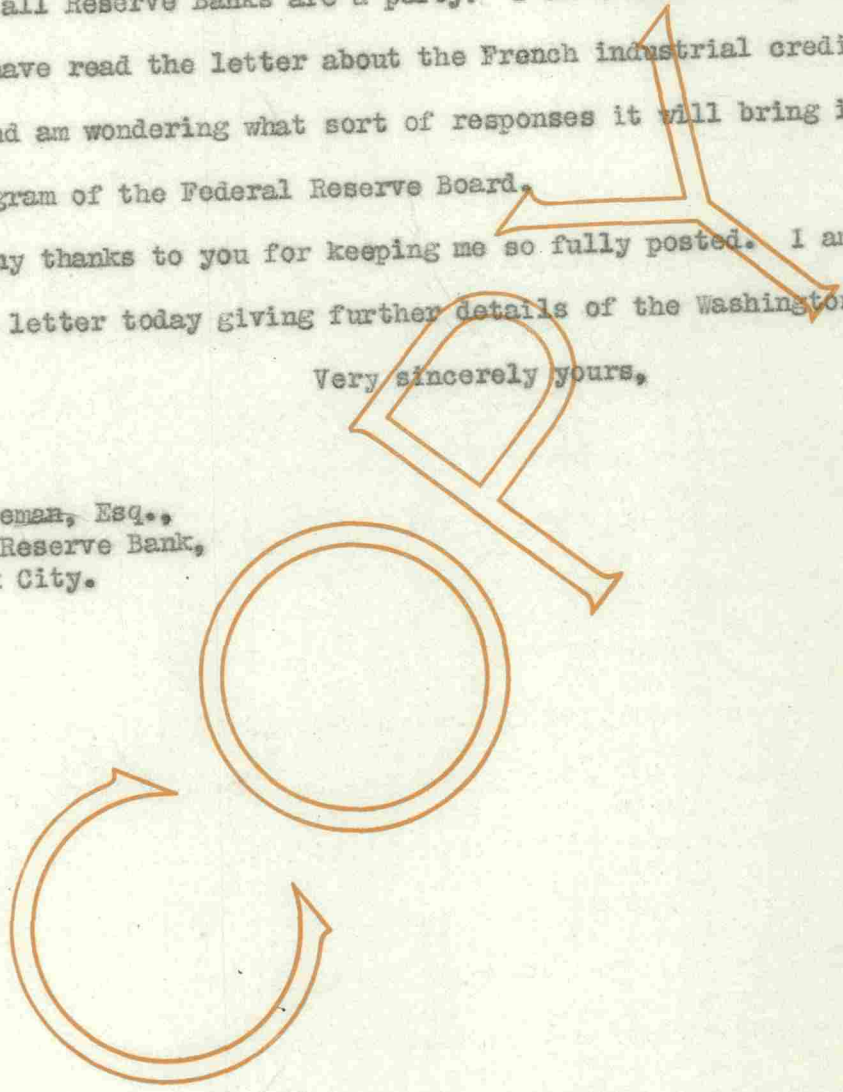
I have read the letter about the French industrial credit with interest and am wondering what sort of responses it will bring in view of the telegram of the Federal Reserve Board.

Many thanks to you for keeping me so fully posted. I am hoping to get a letter today giving further details of the Washington meeting.

Very sincerely yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC



Denver, Colorado,
January 25, 1917.

Dear Mr. Treman:

My absence in Colorado Springs, where I have been visiting Robert Masson, has delayed my reply to yours of the 16th, 17th (2), and 19th (3).

The sample report of renewal bills ~~did not accompany your~~ letter.

Mr. Peabody has not yet written me about the Washington meeting and I await a letter from him with keen interest. Mr. Towne has written me quite fully of what transpired at the formal meeting and his statement helps to give me a clearer understanding of the situation.

About rates, I am glad that the suggestion for reductions has at last been made and hope that we now get more nearly in line with the market and build up our portfolio, which we can well afford to do.

I will try and block out a letter regarding the Buenos Ayres business today or tomorrow and I am constrained to depart rather radically from some of Mr. Warburg's suggestions, which do not appeal to me as practicable.

You have doubtless been able to ship our Bank of England letter by the Finland, following our exchange of telegrams. Let me suggest sending a duplicate by separate steamer and that both should go by registered mail.

I return the questionnaire of the State Bank Section which, confidentially, Mr. Kent had already sent me. On the whole, I do not believe these questions will do any particular good, nor do I think they will do

To - Mr. Treman.

January 25, 1917.

any particular harm, except as to questions 7 and 8. Concerning those let me say that Mr. Kent wrote me very confidentially, asking my opinion of these questions, which did not include #9 in his draft and I enclose with this copy of my reply for your confidential use, explaining how I felt about those two questions. Please return Mr. Kent's letter.

Thank you for the further explanation of the difficulty about the announcement.

Now about the permanent organization, I must write you with the utmost frankness because that is what you really want me to do I know. For a long time I have been conscious of the need at the bank of a larger permanent organization and that imposing upon you the burden of filling the gap during my absence was only warranted upon the assumption that I would be able to return at the end of the year and then be able to carry the same head of steam as in the past. Frankly, this is not going to be possible. I do not make this remark only as to my own work, but as to the work of every member of the organization. They have all worked too hard, under too great pressure for the good of the bank. We need a large enough organization so that the men can live civilized lives and the bank will need, whether I return or not, at least one additional Senior executive officer, so I felt that taking that matter up now and not waiting until the last minute was justified in the interests of the bank, in your personal interest and in mine as well.

I do not want to impress my own views too strongly upon those who are on the ground, but I think the following program is the wisest one, if it is for the convenience of everyone: First, we should, if possible,

To - Mr. Treman.

January 25, 1917.

secure the appointment of Governor Aiken as Deputy Governor of the Bank. Second, it would probably be a good plan for him to remain in Boston until I am able to go to Europe, say in June, when he would accompany me, not as an officer of our Bank but as one of the Committee of Governors to conclude the foreign arrangements. Third, if you could remain until he returns to take office; then about August 1st the shift could be made.

I realize that this imposes upon you one or two months' sacrifice beyond what was originally planned, but you will see the importance of carrying out the Committee scheme on the one hand and the necessity for avoiding the absence of two active officers of the Reserve Bank, should Aiken and I both go to Europe, if he had taken your place.

In discussing this trip abroad I hope that you and the others realize that the arrangement, particularly in Paris, involves the discussion of many technical details, in which one must be on the ground in order to meet various objections or suggestions that are raised, and having Aiken there gives us the advantage of having at least two officers of the bank acquainted with the whole subject from the ground up, and, furthermore, personally acquainted with the men with whom we are to deal, which I regard as of great importance.

I would have been very anxious about the bank's affairs had you been unable, or unwilling, to make the sacrifice that you have so generously made for us all and, as you know, anxiety retards progress in cases like mine more than anything else. My anxiety to effect permanent arrangements at the bank is as much on your account as any other, for you have had a strenuous time, it has been a gratuitous gift, so to speak, and I

To - Mr. Treman.

January 25, 1917.

think if something is not done pretty soon, we will be imposing upon your good nature. I shall always be deeply grateful to you.

Regarding our policy and Governor Harding's suggestion that we keep liquid -- no bank could be more liquid than we are and the suggestion is a belated one, as you doubtless realize. If the Treasury Department desires us to take 3 months 3% notes, we are in position to do so without interfering with our rate policy as to purchasing bills.

My letter regarding the Seay plan covers the ground, excepting as to the question of guarantees mentioned in your letter. If we are only expected to guarantee member bank drafts up to \$500, it is not a serious obligation to undertake, but the principle of this plan is wrong as laid out by Seay, and I hope you succeed in having it modified or suppressed.

I am sorry about Curtis' salary; we will talk that over when he arrives. My best regards to you all. Don't worry about my condition -- I am getting along fine.

Very sincerely yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Enc.

Denver, Colorado,
January 26, 1917.

Dear Mr. Treman:

Just a suggestion that caution be exercised in rebating penalties for deficient reserves. Once the imposition of penalties is dealt with on the basis of favor, or ~~in fact on any~~ but an automatic basis just as though it was borrowed money, we are certain to be criticized for relaxing our rules in some cases and enforcing them in others. Might it not be well to have our directors pass a resolution which would protect the officers in declining readjustments except after formal action by the board? This is just a suggestion.

Yours very truly,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Denver, Colorado,
January 26, 1917.

*also -
Buller -
U. S. Bank -
S. -
St. Louis -
Focal 1915*

Dear Mr. Treman:

Since receiving your favor of the 17th inst., enclosing Mr. Warburg's letter regarding the development of banking relations in the Argentine Republic and in Spain, I have been giving a good deal of serious thought to what such a development would mean to the Federal Reserve System and particularly as to whether the views which appear to be entertained by Mr. Warburg are in accordance with those which I understand are held by the officers and directors of our own bank in this regard.

The matter is one of fundamental importance and I suggest that this letter be brought to the attention of our directors, or at any rate of our executive committee, for early consideration, as I feel unable to prepare letters designed to give effect to Mr. Warburg's views without first knowing whether the program he suggests will be approved by our directors.

Section 14 of the Federal Reserve Act, sub-section (e) provides that "Every Federal Reserve Bank shall have power

"(e) * * * to open and maintain accounts in foreign countries, appoint correspondents, and establish agencies in such countries wherever it may deem best for the purpose of purchasing, selling and collecting bills of exchange, and to buy and sell, with or without its endorsement, through such correspondents or agencies bills of exchange arising out of actual commercial transactions which have not more than 90 days to run, exclusive of days of grace, and shall bear the signature of two or more responsible parties, and with the consent of the Federal Reserve Board

To - Mr. Treman.

January 26, 1917.

to open and maintain banking accounts for such foreign correspondents or agencies."

These are all of the powers expressly conferred upon the Reserve Banks for the conduct of business in foreign countries except those generally referred to in sub-sections (a) and (b) of Section 14, under which power is conferred to deal in gold coin and bullion at home or abroad and to buy and sell United States and municipal bonds and notes at home or abroad.

Without desiring to place too narrow a construction upon the meaning of sub-sections (a) and (b), I am nevertheless generally of the opinion that the Federal Reserve Act does not contemplate that Federal Reserve Banks shall go into foreign countries and establish accounts for the purpose of conducting the business in bills drawn in foreign countries upon American acceptors, thereby entering directly and aggressively into competition with the commercial banking business which is normally conducted in foreign countries by National and State banks and private bankers.

Mr. Warburg will himself, I believe, confirm my recollection of the purpose of these two sections of the Act when the bill was in course of preparation. It was primarily and possibly exclusively designed to enable the Reserve Banks to establish offices, or to appoint correspondents, in foreign countries, through the agency of which Federal Reserve Banks could buy bills payable in those foreign countries, thereby establishing a fund which could be drawn upon at times when the exchanges were adverse to this country and gold exports threatened.

This matter was considered most carefully while I was in London as, of course, the opportunity exists there just as well as in the Argentine,

To - Mr. Treman.

January 26, 1917.

to buy bills of English origin drawn on American acceptors, but I rejected any thought of entering into arrangements of that character with the Bank of England, or even with the Union Discount Company, through whose hands occasionally bills of that character pass, solely upon the theory that that kind of business was a legitimate function of the member banks and not expedient for us to attempt to exercise, even though we had the power, because it would bring us in direct competition with our members.

Mr. Warburg's suggestion as to the Banco de la Nacion Argentina is briefly as follows:

1st. That we shall undertake to purchase long bills from that bank quoting discount rates "to arrive" for that purpose, so that acting as our agent in that country, purchases of bills will be made in our behalf in competition with the business which New York banks, such as the National City Bank, are now endeavoring to develop at great expense and considerable risk, without hope of substantial profit for some years to come.

The advantages which we enjoy over even the National City Bank in conducting this business are in my opinion so great that they could not possibly compete with us and our entrance into that field would be a factor of such discouragement as to greatly retard, if not absolutely block, the development of a foreign banking system by American banks generally.

The principal advantages are:

1. The enormous prestige enjoyed by a so-called central or government bank over any private bank, no matter how strong the latter may be.
2. Our ability to avoid all expense of a local organization by reason of our employing correspondents as distinguished from the

To - Mr. Treman.

January 26, 1917.

branches which American banks are seeking to establish abroad.

3. The enormous resources of the Federal Reserve System for which they pay no interest and for which the interest charge in the case of member banks is very heavy.

4. The cooperation of the various departments of the government, such for instance as the State Department, which we might be considered to enjoy for the furtherance of our business and which naturally are not at the disposal of member banks quite so effectively.

One of the most profitable, if not quite the most profitable, department of the business of a branch of an American bank established in a foreign country will be the purchase of bills drawn in dollars on American acceptors. For the purpose of illustration, the National City Bank has but one or two branches in Argentina, consequently they must rely to some extent upon relations established with other bill buyers in that country to acquire the volume of business necessary to their success. These other bill buyers doubtless having a net-work of branches throughout the Nation. If we should establish relations of this character, with the Banco de la Nacion Argentina, we would at once secure the services of a correspondent, which has no less than 153 branches and agencies now in operation and which conceivably would direct all of this business to us instead of dealing with the branch office of say the National City Bank.

I am not aware of the relations which now exist between the Banco de la Nacion Argentina and other banks and the agencies of foreign banks in that country; probably all of the banks, maintain accounts of some character with the Banco de la Nacion Argentina. If that is the case, it is not impossible that rates which we quote to our correspondent would result in diverting the large stream of bills drawn in dollars which are now coming to various New York banks through the various Argentine banks

To - Mr. Treman.

January 26, 1917.

and agencies to us instead of to their present correspondents, thereby again inflicting an injury upon American institutions which are now cultivating South American banking connections.

There is just one possibility which I can imagine that will make this argument ineffective and that is that the Banco de la Nacion Argentina, either as a matter of policy or by reason of legal restrictions, has not and will not establish connections with any bank in this country except a Federal Reserve Bank, for the purpose of conducting their business in bills. I am under the impression that they already have close relations with the National City Bank and possibly other New York banks, for the purpose of conducting this very business and this could be confirmed by inquiry.

Without, therefore, further information on this subject, I am not disposed to recommend to our directors at the present time that we seek to make any arrangements for handling bills for the Banco de la Nacion Argentina, unless indeed it should be an emergency arrangement only to be employed at a time when our member banks are unequal to dealing with the situation and, consequently, when the market for bills drawn in dollars at Buenos Ayres becomes impaired.

Mr. Warburg's second suggestion relates simply to the establishment of reciprocal accounts, under which one of our functions would be to take the custody of gold when exchanges were adverse to this country, as at present, and gold shipments were either too expensive or undesirable. There is certainly no objection whatever to the establishment of relations of this character and I would favor doing so as promptly as possible, provided certain points were thoroughly understood and safe-

To - Mr. Tremen.

January 26, 1917.

guarded, to which Mr. Warburg seems to make no reference whatever in his letter.

I shall not enumerate these in detail now as they would be the subject of our correspondence with the Banco de la Nacion Argentina whenever that is formulated, but in general they would relate to an understanding that the mutual accounts must be conducted upon a gold basis, with an agreement in every particular as to what that means. I refer of course to the necessity that the Banco de la Nacion Argentina should understand just as clearly as the Bank of England will be made to understand all the various questions in relation to the intrinsic value of our coinage, the limit of tolerance and the conditions under which gold shipments, or the car-marking of gold, would be dealt with by each institution for the account of the other.

As we certainly could not afford to offer them an arrangement for gold settlement without having a similar mutual understanding from them, it is necessary to bear in mind that the Argentine nation has dual standards, that is the currency of account as well as gold, and that the Banco de la Nacion Argentina, which has liabilities of approximately \$600,000,000 currency, holds a general gold reserve of only about \$28,500,000.

It is essential that the distinction should be borne in mind between the arrangement contemplated with the Bank of England, which I believe conforms to the real purposes of the Federal Reserve Act, and the arrangement suggested by Mr. Warburg for relations with the Banco de la Nacion Argentina.

With the Bank of England we propose to accumulate balances which will

To - Mr. Treman.

January 26, 1917.

be invested in sterling bills, our purchases of sterling being made at such times as they can be purchased below the point at which gold can be profitably imported to this country. These investments we would expect to liquidate and we would expect to withdraw the balances resulting whenever sterling advanced to a point where gold could be profitably exported from this country. The arrangement does not contemplate that we shall compete with our member banks in this country by buying long bills drawn on London, or that we should compete with our member banks in London by buying long bills drawn on this country in dollars.

The arrangement Mr. Warburg proposes for Argentina contemplates quite the reverse of this policy. It suggests that through the principal bank in Argentina we buy bills drawn there on this country which otherwise would pass through the hands of our member banks and conversely his suggestion for a mutual relationship naturally implies, without so stating, that we should compete with our member banks in this country by buying bills drawn here upon Argentine acceptors.

My conviction is very strong that the whole theory of this arrangement is wrong. Our relations at any rate for normal times should be confined to those suggested for the Bank of England, and before undertaking to make such arrangements we should consider carefully whether there is any present need for our purchasing bills in Buenos Ayres and, if so, whether it is a business which we can afford to undertake without undue risk, except under the most careful understandings as to gold settlements.

We must never overlook the fact (and I say this with all respect to the pressing need for closer banking relations with South America) that

To - Mr. Treman.

January 26, 1917.

these South American countries are most inflammable, liable to some extent to political upheavals, as well as wars, between themselves, and any arrangement which might contemplate our carrying considerable balances, or considerable bill investments, in those countries, should be safeguarded in the case of the Reserve Banks particularly, with very clear and definite understandings.

No one desires more than I do to see the Federal Reserve Banks exercising these functions as to foreign banking connections, but I think we should go very slow about offering our facilities in the rather generous way contemplated by Mr. Warburg and that we should be very sure, particularly in these Spanish-American countries, that every detail is understood on both sides and every contingency amply safe-guarded.

Will you, therefore, be good enough to send me as promptly as possible an expression of the views of our Board, as the matter is one of general policy, and if the Board desires I will prepare a letter for consideration at the office, looking to carrying out the policy of the Board.

While on this subject let me briefly repeat that I believe if similar negotiations are to be undertaken with the Bank of Spain, they should be initiated by having some of the interested parties suggest to the Spanish Ambassador that the Federal Reserve Bank of New York would be glad to entertain any suggestions which they might desire to offer for the purpose of relieving the exchange situation and the establishment of relations which would enable us to deal with the subjects of the imports and exports of gold.

Again, it must be borne in mind that Spain many years ago abandoned

To - Mr. Treman.

January 26, 1917.

an absolutely gold standard, that there has for many years been a premium on gold in Madrid and that a special study of conditions in that country should be made before we undertake any comprehensive banking arrangements.

As to the Netherlands, as we have already established a limited relationship with the Bank of the Netherlands, I believe it might be a good policy to send a letter to Dr. Vissering, suggesting to him that we would be glad to consider any suggestions which he might feel disposed to advance for the enlargement of the scope of our relations. Correspondence with him should without fail be forwarded preferably in the American Embassy Pouch, or if that is not available, through the Dutch Minister at Washington, as it would be undesirable to needlessly complicate matters in London by subjecting this correspondence to the scrutiny of the British Censor.

In conclusion let me say that I very much fear a serious difference of opinion with Mr. Warburg and possibly with some of his associates who are less conversant with this subject than he is, as to the policy which I have outlined above. Rather than risk the consequences of serious differences on this matter, you may decide that it would be wise to inaugurate preliminary inquiries, somewhat less comprehensive in their scope than those contained in Mr. Warburg's letter, which would result in an exchange of views but no decision prior to my return to the office, when I could take the matter up personally with the Federal Reserve Board.

Yours very truly,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

Denver, Colorado,
January 27, 1917.

Dear Mr. Treman:

Enclosed is a translation, which still requires some polishing, of the letter just received from Monsieur Pallain. I will retain the original until Mr. Curtis arrives, when we will try and improve this work somewhat and send you both the original and the revised translation.

Please observe that he accepts with practically no qualification the real basic principles of the arrangement with the Bank of England. In view of this, will you not confer with your associates and advise me as promptly as possible just what their views are as to the form of our reply.

What I have in mind is to reduce to one memorandum, changed so as to apply to the Paris situation, the original Bank of England memorandum and my last letter and submit it to him in the form of a memorandum to be acted upon by the Bank of France officially. I would, of course, discourage his suggestion as to the amount of our transactions, which is far beyond what I think we should contemplate at present.

It would also be necessary to at least make inquiry as to whether there is any governmental regulation or law as to gold exports which would make it necessary for us to get governmental approval or consent to the gold obligation to be undertaken by the Bank of France.

I hope you write me promptly about this so that I can have a letter ready to be dispatched by the time we hear by cable from the Bank of

To - Mr. Treman.

January 27, 1917.

England.

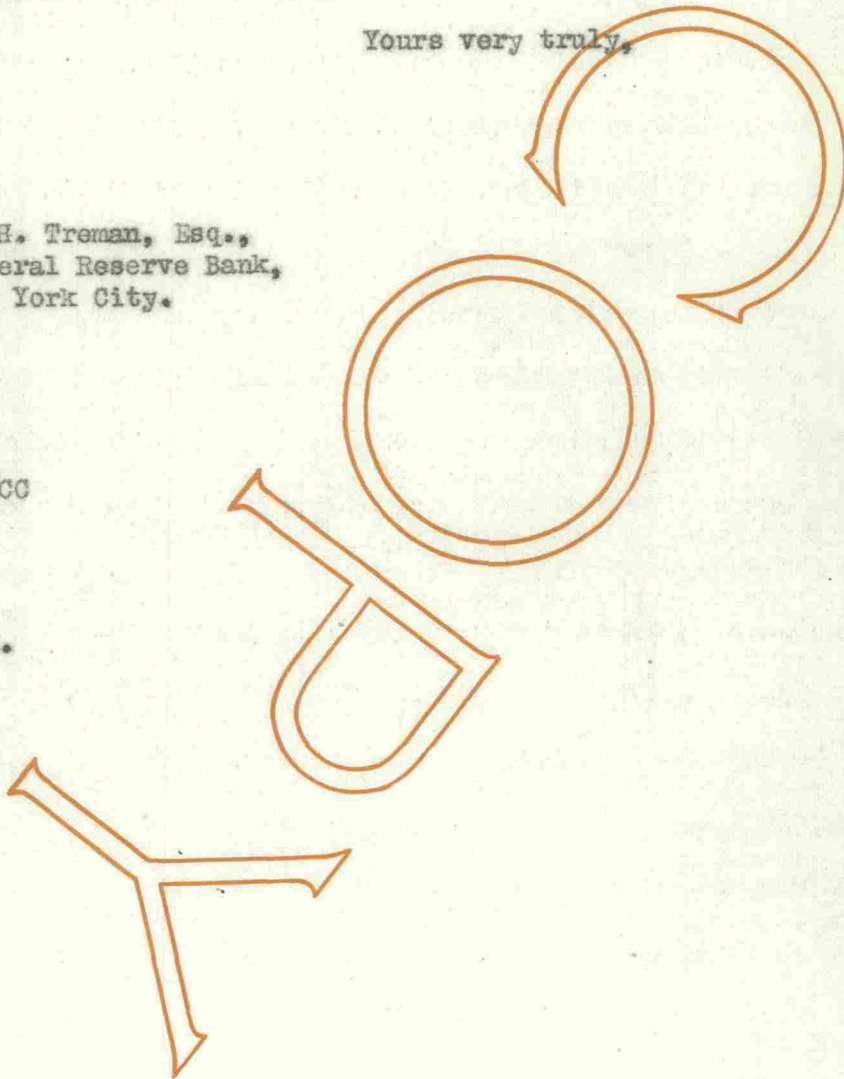
Curtis arrives tomorrow night and I will probably do some work with him on this matter.

Yours very truly,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Enc.



Denver, Colorado,
January 27, 1917.

Dear Mr. Treman:

With this I am returning Mr. Warburg's letter about the Argentine matter, retaining, however, the draft which he prepared for use in preparing a suggestion for you to send.

Yours very truly,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City, N. Y.

BS/CC

Enc.

CLASS SERVICE DESIRED

Friday Message	
Day Letter	
Night Message	
Night Letter	

Patrons 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

GEORGE W. E. ATKINS, VICE-PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

Receiver's No.

Check

Time Filed

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

COPY.

Colorado Springs, Jan. 30, 1917.

R. H. Treman, Deputy Governor,
Federal Reserve Bank, New York City.

Suggest substantially following reply to Boards request quote - At Strongs request we sent informal message and inquiry through mutual friends and received through same channel satisfactory reply stop. He greatly prefers not to ask friends for permission to furnish copies of their cables for transmission to Board stop. Enclosed herewith is copy of only cable sent by the bank. End quote.

(Sg.) Benj. Strong.

ALL TELEGRAMS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS:

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 unrepeated telegram 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 observance of 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 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 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. 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 filed 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 the 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:

a. Day Letters may be forwarded by the Telegraph Company as a deferred service and the transmission and delivery of such Day Letters is, 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 in 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 midnight 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 if 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.

CLASS	SERVICE DESIRED
Fast Day Message	
Day Letter	
Night Message	
Letter	X
Patrons 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

GEORGE W. E. ATKINS, VICE-PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

Receiver's No.

Check

Time Filed

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

Denver, Colorado, February 1, 1917.

R. H. Treman,
Federal Reserve Bank,
New York City.

Telegram received. Do not think our bank should accept plan adopted at Washington conference without our full Boards approval and if that plan approved wish my objection noted in Minutes stop. Principal objections as follows. First our interest in plan is different from other Reserve banks as we would make bulk of advances involving our extending unlimited credit without protection of any obligation from other Reserve banks. Second if volume of business large and we were required to give immediate credit irrespective of volume liability of any one member bank to us as endorser of these uncollected checks might be for immense sum. Third the ten thousand dollar limitation is too large to afford protection against dishonesty and applies equally to smallest and largest banks which is unsound. Fourth if immediate credit is not based upon instructions from other Federal Reserve Bank to pay and charge account the plan forces us to make involuntary unlimited extension of credit without regard to goodness of endorser. Fifth the bankers you consulted naturally desire payment rather than credit as otherwise they are in position of making similar advances themselves to their correspondents or else withholding proceeds for their own protection. Their suggestions while sound are prompted by their own interests stop. Curtis and I believe plan can be made safe only if based upon advice from other Federal Reserve Bank.

Benjamin Strong.

ALL TELEGRAMS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS:

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 telegram 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 amount 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 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 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. 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 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 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 filed 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 all 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 the 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:

A. Day Letters may be forwarded by the Telegraph Company as a deferred service and the transmission and delivery of such Day Letters is, 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 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 midnight for delivery on the morning of the next 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.

Denver, Colorado,
February 1, 1917.

Dear Mr. Tremen:

Just a line to say that I have had a bully visit with Judge Curtis, spending a few days in Colorado Springs, and now tomorrow we are leaving for Phoenix, Arizona, on an indefinite sort of a trip, without knowing exactly where we will land. I will keep you advised by wire of our movements and Miss Carlton will be at the house right along to keep in touch with correspondence and telegrams.

Best regards to you and all at the bank.

Very sincerely yours,

R. H. Tremen, Esq.,
Federal Reserve Bank,
New York City.

BS.CC.

Denver, Colorado,
February 1, 1917.

Dear Mr. Treman:

This is to confirm the receipt of your telegram regarding the plan for immediate credit of checks on Federal Reserve banks and my reply, composed with the assistance of Judge Curtis, who permits me to say that he thoroughly endorses the views expressed therein. We have been over this matter so frequently that I only want to repeat what seems to me to be the cardinal objection to the plan. At the present time we have the right to say how much credit we would extend to any one of our member banks. If this plan is adopted, it means that there is imposed upon us the obligation of extending unlimited credit to any of our members without regard to their responsibility, the only limit being the total of checks of this character which they may happen to receive from their correspondents and deposit with us.

This plan violates every principle of sound banking that I know anything about in the matter of handling checks, is contrary to the experience of all European countries with whose banking systems I have any familiarity at all, and, I have therefore taken the liberty of asking that you get permission from our directors to have my objection officially noted on the Minutes of the bank.

Don't you think that the Board has overlooked the fact that we are the bank that will make the bulk of advances, while the other Reserve banks will simply pay the checks which we send them when they are good and send them back to us when they are not good. They undoubtedly have a legitimate

To - Mr. Treman.

February 1, 1917.

demand from their members for New York exchange and in their desire to meet this demand from their member banks, they are no doubt all of them quite willing to adopt a plan which would impose the real responsibility and risk upon us rather than upon themselves.

In a former letter you referred to a limitation of \$500.00, and, of course, I was influenced by that in my last letter - to some extent. Nevertheless, the principle is wrong no matter what is the amount, and, on reading over the vote of the Committee, I find that the recommendations of the committee are so different from those contemplated in our correspondence that I am led to recommend that our directors decline to accept the plan.

Yours very truly,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Enc.

Denver, Colorado,
February 1, 1917.

Dear Mr. Treman:

On returning this morning from Colorado Springs with Mr. Curtis I find your two letters of January 26th, also your telegram in regard to Federal Reserve bank checks, which I answer by separate letter. Personally, I feel very much dissatisfied with the policy which is being pursued by the New York bank, and which of course is adopted out of deference to the wishes of the Reserve Board, in the matter of our own investment and purchases of bills. It does seem to me quite inconsistent that the one Reserve bank in the System which has been running along with say 80% reserve, which has over \$100,000,000 of gold accumulated in the note fund and which is showing nearly, if not quite, the smallest percentage of earnings of any of the Reserve banks, should now withdraw from the market on bills at the same time that it is making special purchases of bills for other Reserve banks and, if you please, buying warrants with longer maturities for our own account.

Our bank carries the largest reserve and is in the most liquid condition of any bank in the System. In contrast with Chicago, for instance, which has immense holdings of government bonds and which earned as much last year as we did, the position appears nothing less than ridiculous.

I have read Governor Harding's letter, which strikes me as moderate and possibly in some respects justified as to some of the banks, but it certainly is not justified as to our bank, which reported over 82% reserve last week and which has only about \$35,000,000 of investments and nearly

To - R. H. Treman.

February 1, 1917.

\$300,000,000 of gold.

If there is any situation known to the Reserve Board which justifies their requesting us as a matter of policy to reduce our holdings of bills, it certainly would even more justify their requesting other Reserve Banks to sell more of their government bonds.

As a matter of policy, our bank at the present time and at present rates should I believe carry not less than \$50,000,000 of investments in bills, and if I were you I would lay this matter before our Board for the purpose of securing a formal expression of its views as to the amount which we should keep invested, and then advise the Federal Reserve Board that that is the best judgment of our directors and that we would understand that their letter really had more application to those banks in the System which were not as favorably situated, both as to amount of reserve and liquid character of investments, as we are.

So far as the accumulation of gold is concerned, it seems to me that the burden of the expense of that policy has been monopolized by our bank as long as it should be.

Please pardon this frank expression of views which I know you want on all of these matters.

Yours very truly,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

SERVICE DESIRED	
Day Message	
Letter	
Night Message	
Night Letter	

Patrons 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
 GEORGE W. E. ATKINS, VICE-PRESIDENT BELVIDERE BROOKS, VICE-PRESIDENT

Receiver's No.
Check
Time Filed

COPY.

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

Denver, Colorado,
 February 2, 1917.

R. H. Treman, Federal Reserve Bank, New York City.

Prefer to have drafts receivable and not payable but either method is safe if prior advice is required, neither is safe if it is not required stop. If principle of advice is adopted my main objection is removed and I would certainly stand on that stop. See no objection to five hundred dollar limit if confined to that.

Benjamin Strong,

Collect.

ALL TELEGRAMS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS

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. One-half the un-repeated telegram rate is charged in addition. Unless otherwise indicated on its face, THIS IS AN UNREPEATED TELEGRAM AND PAID FOR AS 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 other 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 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. thereon.
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. 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 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 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 filed 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 the 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:

A. Day Letters may be forwarded by the Telegraph Company as a deferred service and the transmission and delivery of such Day Letters is, 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 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 midnight for delivery on the morning of the next 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.

SERVICE DESIRED	
Day Message	
Day Letter	
Night Message	
Night Letter	
<small>Patrons should mark an X opposite the class of service desired; OTHERWISE THE TELEGRAM WILL BE TRANSMITTED AS A FAST DAY MESSAGE.</small>	

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT
 GEORGE W. E. ATKINS, VICE-PRESIDENT BELVIDERE BROOKS, VICE-PRESIDENT

Receiver's No.
Check
Time Filed

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

COPY.
 Denver, Colorado,
 February 2, 1917.

R. H. Treman, Federal Reserve Bank,
 New York City.

Have written fully today suggesting course to follow in making formal application to appoint French correspondent stop. Would make confidential inquiry of James Brown as to his investigation of French law before consulting Coudert which may be unnecessary. Better await my letter.

Benj. Strong.

Collect.

ALL TELEGRAMS TAKEN BY THIS COMPANY ARE SUBJECT TO THE FOLLOWING TERMS

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 one-half the unrepeated telegram rate is charged in addition. Unless otherwise indicated on its face, THIS IS AN UNREPEATED TELEGRAM AND PAID FOR A 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 observations.
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 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 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. 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 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 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 filed 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 the 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:

A. Day Letters may be forwarded by the Telegraph Company as a deferred service and the transmission and delivery of such Day Letters is, 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 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 midnight for delivery on the morning of the next 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.

CLASS SERVICE DESIRED

Transmitters should mark an X opposite the class of service desired; OTHERWISE THE TELEGRAM WILL BE TRANSMITTED AS A FAST DAY MESSAGE.

WESTERN UNION TELEGRAM

WESTERN UNION

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, VICE-PRESIDENT

BELVIDERE BROOKS, VICE-PRESIDENT

Receiver's No.

Check

Time Filed

and the following telegram, subject to the terms on back hereof, which are hereby agreed to

Denver, Colorado, February 2, 1917.

R. H. Tremen, Federal Reserve Bank,
New York City.

Curtis and I are deferring leaving for Arizona until further news of developments reaches us. Do not hesitate to telegraph for his return if thought necessary and there is not the slightest reason why I should not come back for a short period if any emergency makes it desirable.

Please wire at once.

Benjamin Strong.

Chg. Benj. Strong,
4100 Montview Blv.

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 one-half the unrepeated telegram rate is charged in addition. Unless otherwise indicated on its face, THIS IS AN UNREPEATED TELEGRAM AND a 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 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 observations.
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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.

Denver, Colorado,
February 2, 1917.

Dear Mr. Treman:

Can I trouble you to show my telegram and letter of yesterday in regard to parring Federal Reserve Bank checks to Mr. Woodward, as he telegraphed me on this matter and I replied that I was communicating with you and would send him a copy.

Yours very sincerely,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

[original]
C2617A+

Denver, Colorado,
February 2, 1917.

Dear Mr. Treman:

Mr. Curtis and I discussed the propriety of filing copies of cables addressed to Lord Cunliffe by the Federal Reserve Board and finally sent you telegraph from Colorado Springs as per enclosed confirmation.

It would be quite proper to advise the Board that the cable was sent in my behalf personally and through a personal friend in order to avoid the appearance which otherwise would be certain to develop that I had wilfully violated a confidence without consulting them. You will be glad to know that I have just received a most cordial personal letter from Deputy Governor Cokayne of the Bank of England, in which he expresses great satisfaction that such good progress is being made towards concluding our arrangements and I am sure that they bear us no hard feelings.

Yours sincerely,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Denver, Colorado,
February 2, 1917.

Dear Mr. Treman:

As Mr. Curtis and I may be away for a few days, I am writing you on these foreign matters to avoid the delay of our absence. It seems to me desirable now to address a letter to Mr. Vissering of the Bank of the Netherlands, as suggested in my letter of January 26th, being sure, without fail, that such letter is forwarded either in the American Embassy pouch or through the Dutch Minister at Washington.

Before dispatching this letter it would again be desirable to pursue the course suggested as to the Bank of France. I think I would communicate informally with Governor Harding, advising him that we are proposing to address a letter to the Bank of the Netherlands which might result in application from the Federal Reserve Bank of New York for authority to appoint the Bank of the Netherlands our agent and correspondent in Holland, and that before doing so we would like to have informal advice from the Board as to their attitude respecting such an appointment and an understanding as to the method of announcement at the proper time. In communicating informally with Governor Harding I would make clear to him the proposed extent of the suggestion to be made to Dr. Vissering, so that they may not jump at the conclusion that we are offering an arrangement as extensive as the one proposed in London.

The enclosed draft of a letter to be addressed to Dr. Vissering outlines what I have in mind and as there is no particular hurry about this matter, you may wish to return it to me with suggestions for changes before it is dispatched.

Yours very sincerely,

Denver, Colorado,
February 2, 1917.

Dear Mr. Treman:

By now you have had opportunity to study the translation of Governor Pallain's letter of December 27, 1916.

You will observe that the principal points involved in our negotiations with the Bank of England are in principle accepted by Governor Pallain in his letter, so I am wondering whether we may not now be justified in making formal application to the Federal Reserve Board for consent to the appointment of the Bank of France as our correspondent in France.

If this application is made under the authority which I understand has already been granted by the Board of Directors, I think the following course should without question be pursued, and, if on consultation with the Federal Reserve Board, the course suggested cannot be followed, I believe the application should be for the present withheld.

No announcement of authority to make this appointment should be made until cables have been exchanged with Pallain, substantially to the following effect: "Your letter December twenty-seventh received stop. Preliminary to dispatching our official reply outlining final proposal we intend making application to Federal Reserve Board for consent to appointment Bank of France as our agent stop. If consent is granted we propose making announcement in newspapers similar to the Bank of England announcement stop. Will it be agreeable to you to have such announcement made prior to our arriving at a definite understanding of actual terms stop. Please reply Federal Reserve Bank New York." This cable can be sent over my name and I

To - Mr. Treman.

February 2, 1917.

think should be dispatched prior to the formal application to the Board, but only after they had been sounded unofficially so as to avoid any misunderstanding either as to the appointment being authorized or as to the method of announcement, in view of the doctrine announced by Secretary McAdoo that all official actions of the Reserve Board must be made public.

If Pallain's reply is favorable, application should be made formally at once and, if possible, an announcement made after agreement with the Federal Reserve Board upon its terms.

The object of sending the suggested cable is to avoid creating the impression in Pallain's mind that his last letter is in all respects acceptable and that we are proposing to go ahead and do business on the terms he suggests. I have already written quite fully explaining the characteristics of the French banker and, particularly, of Monsieur Pallain and the necessity for caution in avoiding creating an impression which would justify his believing that everything was concluded and that we were ready to go ahead and do business.

Very sincerely yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CG

Phoenix, Arizona, February 10, 1917.

Dear Mr. Treman:

Referring to your letter of January 31st, in which you suggest my returning to you the original drafts of a letter prepared by Mr. Warburg for transmission to the National Bank of the Argentine, I have to say that I would have returned the original to you but for pressure of work at Denver. As soon as I return there I will have copy and send you the original together with some suggestions of my own.

Yours very sincerely,

Mr. R. H. Treman, Governor,

Federal Reserve Bank of New York,

New York City.

Phoenix, Arizona, February 10, 1917.

Dear Mr. Treman:

I would like to acknowledge receipt of your letters of January 30th, 31st, February 1st, 2nd, and 5th, and I am very glad to be kept so fully advised of affairs at the Bank. Curtis and I have been over the various matters discussed in your letters and I have various comments and suggestions to make as follows:

1st. Purchase of bills. I note your suggestion that possibly the federal reserve board had more knowledge of international affairs than we *did*. I believe however, that a careful scrutiny of their letters and memoranda will show that this was not the case. Their original letter urging all the reserve banks to withdraw from the market so far as acceptances were concerned, was dated January 19th, and contained no reference to possible international complications. And a long memorandum from Mr. Warburg prepared some days later also contains arguments in favor of their plans, none of which were based upon the international situation, or the possibilities of any change therein.

However, the chief criticism I have to make of this matter is not so much one of a question of judgment or of a foreknowledge of ~~impending~~ events but concerns the establishment of the principle that the banks policy ~~is~~

should not be dictated from Washington or adopted only after telephonic approval had been received from there. Even assuming that the board knew of the intended move of Germany, still they ought not to expect that our Board of Directors or our Officers would alter a policy upon a blind suggestion from them giving no suggestions or facts upon which our board or officers could exercise an intelligent judgment. I am not consoled by the thought that no harm has resulted in this particular instance because I fear that the board now has received the impression that the purchase of bills by the New York Bank and possibly other matters can be controlled by them on a mere suggestion with or without adequate reasons being given. The whole question of the independent and autonomous character of the reserve banks is being decided by our day to day action in these matters, and I fear that we are slipping backward from the position originally taken at the opening of the system.

2nd. Federal Reserve Bank Drafts. I note that you are proposing to send to each of the Federal Reserve Banks a copy of the plan proposed by the governors' committee, with a suggestion that the plan be laid before each Board of Directors for suggestions and criticisms with the idea of having the whole matter presented to another conference of governors, before the plan is put into final operation. This seems to me to be a good idea as I do not

"3"

believe that a majority of governors would agree that the plan was sound as now proposed. Of course, however, you must realize as I wrote you before, that our position is entirely different from that of any other reserve bank as they are all anxious to provide some form of New York Exchange, with a knowledge that the weakness of the plan will expose New York to danger while keeping the other banks comparatively free from ^{it} ~~this~~. I still think that no plan is safe which requires ^{The} ~~a~~ New York Bank or any other bank to make an advance upon such drafts without having received advice from the drawee bank. Mr. Fancher has sent Mr. Curtis some blank forms for drafts and letters of advice, which we have not yet had an opportunity of considering in detail. In a day or two we will send them on to you with our comments and suggestions.

3rd. Rememt charges at assay office. I note that Mr. Jay is to take the matter up with Mr. Bovie and hope that he will be able to arrange this matter promptly. I have a letter from Mr. Harding under date of February 3rd stating that he will bring my letter on this matter to the attention of the Secretary of the Treasury but that in view of the very critical state of our international affairs, it will be useless for a few days to ask him to give this matter any attention. In view of this situation I think it most important that the matter be pressed to a conclusion from your end, both through Mr. Bovie and with the Treasury Department direct.

*check in
C 2617710*

4th. Confidential Relations with Federal Reserve Board. I note that Messrs. Woodward and Peabody received an understanding from different members of the board that they had guarded and would continue to hold in confidence all details of our arrangements made with foreign banks, and that they had not broken confidence in this respect and that they had and would respect the arrangements which the New York Bank entered into in these matters. The above language is taken from your letter of February 2nd. It seems to indicate that the position of the board is that what they did in the Bank of England matter was a complete and perfect keeping of confidence and they proposed to keep the same perfect confidence about our future arrangements. If this is a correct analysis of the situation it is a very dangerous one from our point of view, and I do not think it is safe for us to attempt to have any confidential relations with the board in the absence of specific assurances that the matter will be handled on a different basis from our recent experience, especially so long as Secretary McAdoo's dictum concerning the necessity of publicity remains uncontradicted and unmodified in the records of the meeting between the board and our committee.

"5"

We do not want to have the same sort of maintenance of confidence in the future in these matters as we have had in the past.

5th. Report of Amounts of Renewal Credits.

Answering your question as to continuing to send these, I would be very happy to receive these reports once a week.

Referring further to the matter of purchasing gold bars, I think it would be advisable for us to accumulate a considerable quantity of the bars as soon as possible, irrespective of our negotiations with the Treasury Department concerning the waiving of the remelt charges. I would suggest ten or twenty millions as a good amount to start with. It ought to be possible to make satisfactory arrangements to obtain these through the co-operation of Morgan and Company and possibly the assay office.

With respect to the purchase of bills during this period of uncertainty, I approve heartily of the course of the bank in holding the rate firm and taking all the eligible bills that are offered. The great desideratum is a known steadiness of rate, which will give the banking public confidence in the ability of the bank to keep control of the situation.

Am returning to Denver this week, and will write further from there.

With best regards

Faithfully yours,

Phoenix, Arizona.
February 11, 1917.

R. H. Treman,
Federal Reserve Bank,
New York City.

Dear Mr. Treman:

Inclosed with this is a first draft of a proposed letter to be addressed to the Bank of France and a draft of a proposed memorandum to accompany the same, which Mr. Curtis and I have prepared as a suggestion for the consideration of the officers and directors of our bank.

The following points require special comment:-

1. I am not as well informed of some details of the law and customs in France as in England, and the inclosures should therefore be carefully discussed with say, Mr. Roberts and Mr. Kent, who will no doubt be glad to give us advise.

2. Blanks have been left in the memorandum where reference is made to the values in French currency of gold bullion and gold coins which are dealt with in France by kilogram and not by ounces. There is no statutory price for gold purchased by the Bank of France as in the case of the Bank of England, and therefore, it will probably be necessary to take the value at which gold is computed for coinage pur-

poses.

3. Please notice the provisions of paragraph 8, respecting withdrawal of balances when rates of exchange will not allow withdrawals without loss to the creditor institution. This feature of the memorandum should be carefully considered as we must be certain that the understanding is not only fair but absolutely safe for both parties.

4. I am not aware of the provisions of the French law as to the limit of tolerance and this should be investigated.

5. We should also investigate, as suggested in my last letter, on this subject, the condition of French law as to gold exports.

6. We should confirm my understanding that French gold coins are ninety (90%) per cent fine gold and ten (10%) per cent copper alloy.

7. If the suggested cable was sent to Pallain a confirmation should be inclosed, or the letter changed.

8. I understand that application for the consent of the Federal Reserve Board to the appointment of the Bank of France will be made as soon as we hear by cable from Pallain that we are justified in doing so.

9. If, on the other hand, no cable is sent to Pallain, it would be just as well to defer making application until his reply to our letter justifies doing so.

It will, however, be safer to arrange this preliminary by cable.

10. I suggest your sending a revision of the enclosures to me at Denver for further study after you have had opportunity to confer with our own people and those suggested above.

With best regards,

Faithfully yours,

Denver, Colorado,
February 15, 1917.

Dear Mr. Treman:

The enclosed cable has just been received from Monsieur Pallain. His letter of December 27th was delayed, as you know, because having been sent by registered mail it did not get in with my regular delivery here and correspondence was necessary apparently with New York before it could be released. I have cabled him as per enclosed copy and send you these papers at once, together with Pallain's original letter of December 27th, of which I am retaining a copy, as all of this original correspondence should be in the files of the bank.

It will take me some days to catch up with my correspondence, I am endeavoring to keep at a minimum, but am writing you separately at once in regard to that last letter from Harding.

Best regards to all at the office.

Very sincerely yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City, N. Y.

BS/CC

Encs.

Denver, Colorado,
February 15, 1917.

Dear Mr. Treman:

It seems desirable to send you at once the following reply to your confidential letter of February 7th, with which you enclosed copy of Governor Harding's letter of February 6th.

In the first place, your letter of February 2nd addressed to Governor Harding, transmitting copies of the cablegrams, I fear was not so worded as to give the Federal Reserve Board an accurate understanding of just what transpired. I have been satisfied all along that the Bank was justified in the first instance in acting upon my telephone suggestion of December 26th of making an informal inquiry through Morgan and Grenfeld in my behalf, and, second in taking the ground with the Federal Reserve Board that the inquiry so sent was made at my personal request and in order to clear me of the charge of bad faith in my engagement with the Bank of England.

Therefore, it seems to me that your letter to Harding would have been more accurate had it stated that the inquiry was made on my behalf personally, not of the Bank of England directly, but of one of the directors of the Bank of England through Mr. Morgan, and that so far as that cable was concerned, it was a personal affair of mine and that the Board could either direct an inquiry to me on the subject or possibly accept your assurance that it was a personal inquiry, and let it go at that. Mr. Morgan's cable was not directed to the Bank of England, but to his partner, Mr. Grenfeld, who undoubtedly exercised judicious discretion in the matter.

Mr. Treman, E

February 15, 1917.

Now as to Governor Harding's remarks, my first temptation was to write him from here, telling him exactly how I felt about the whole performance, but that might prove embarrassing to you and further complicate the situation, so I suggest that you submit the following suggestion to our Board:

The conversations between Lord Cunliffe and myself were, of course, of a somewhat personal and informal character and necessarily must have been such without I had full authority from the Bank and the Reserve Board to negotiate a relationship, which was not the case. It was thought best to reduce our discussion to the form of a memorandum, which of course gave the barest outline of the results of a good many meetings. This bare outline started with the word "Secret". The first paragraph read "The following points confidentially and tentatively agreed upon, etc." and concluded with a separate paragraph "No announcement directly or indirectly to be made regarding the contents of this memorandum without the explicit consent of both institutions". These careful expressions as to secrecy were fortified by injunctions to the Reserve Board, repeated I believe every time the matter was discussed. I am therefore convinced that the announcement made by the Board was unwarranted, was a violation of my confidence and that no such letters as those which have been written to you by Governor Harding and no such statements as those made to the Committee of our Board are justified or should be permitted to pass unchallenged.

The Board assumed either to deliberately violate a confidence or at any rate to judge of their own account in making an announcement without consulting me, the only one who could really pass upon the question as to

Mr. Treman.

February 15, 1917.

whether this was a violation of confidence, and the result of their announcement therefore in my opinion justified me in pursuing any course that I thought fit to make clear my position with the Bank of England.

I shall never assent to the proposition that the Federal Reserve Board has any right to determine what my personal action shall be in a matter of this kind. Having failed to consult me about the announcement and as I was the only one who could really give them any authoritative statement on the subject, I feel perfectly at liberty to send any explanations that I see fit to the Bank of England. This I should not hesitate to say to Governor Harding were it not that you and our directors are dealing with this matter and, as I say, I don't want to further complicate matters.

If any one is subject to censure in this matter, it is those who violated my confidence in Washington. If you and the others wish to let the matter drop, I am satisfied to do so, but if you decide not to, please do not hesitate to put the responsibility for that inquiry on my shoulders, and I will be very glad to continue the correspondence with Governor Harding. I can assure you it will not be as mild as your most courteous and temperate letters have been.

Much of the rancor displayed by Governor Harding's letter I think is based upon the incorrect supposition that Mr. Morgan's cable went directly to the Bank of England.

His suggestion that Lord Cunliffe's reply discloses a delicate appreciation of the impropriety of the action of the bank is I am satisfied quite at variance with the facts. Lord Cunliffe undoubtedly meant just

To - Mr. Treman.

February 15, 1917.

what has been stated in the English Press so frequently -- that this was an effort on the part of the Reserve Board to correct the unfortunate impressions resulting from their earlier announcement on the subject of Treasury bills.

I await your further suggestions about this matter after consulting the others and, of course, will do nothing that is not entirely agreeable to the directors of the bank.

Faithfully yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Denver, Colorado,
February 19, 1917.

Dear Mr. Treman:

Replying to yours of the 16th, I think it would be unwise at present to accumulate any German coin.

1st. The German exchanges are liable to be in our favor for quite a long period and no advantage would be gained in holding German coin, at any rate nothing like the advantage we would gain in holding standard mint bars, so I would certainly arrange to have the German coin melted and take standard bars in the place of them, if the charge of 50¢ a 1000 can be avoided.

2nd. French gold might at a later date be of some value, but, confidentially, there is a possibility that the French government will before the end of the war undertake to demonetize their old gold coins. I wont elaborate the reasons for this or the sources of my information, but it leads me to believe the same policy should be pursued with French coin as with German, at any rate for the present.

3rd. It is impossible to answer regarding bars received from France. My belief is that French standard bars are identical with ours, 900 fine, the alloy consisting of copper, and if such bars are to be retained, it could only be after arrangements are effected with the Assay Office which would determine their value beyond peradventure and would likewise relieve us of future assay office charges in case we had to turn them in.

4th. You make no reference to English gold coin, and as to that I would be rather inclined to hold sovereigns, if we can do so after determin-

To - Mr. Treman.

February 19, 1917.

ing absolutely their bullion value, so that we might later ship them in conformity with the arrangement suggested with the Bank of England.

5th. The most important thing is to get gold bars, if we can do so without paying the assay charge of 50¢ a 1000 and without rendering ourselves liable to later remelting charges.

All of the detail of this must, of course, be worked out at the bank. I hope the above answers your inquiry.

Yours very sincerely,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Denver, Colorado,
February 21, 1917.

Dear Mr. Treman:

I have just been over the last reports of the various lines of bills which we are carrying and they strike me as being in very excellent shape indeed. It is a delight to think of the splendid condition the bank is in and you may well believe a great comfort to me. I would not bother much about buying municipal warrants as long as we can get bills.

Do you have the occasion to go over these credit matters with Mr. Kenzel and Mr. Cann jointly and see how well they are keeping up-to-date on their information and how well posted they are as to the various credits? These are piping times of peace in money matters but when times change, we will want to be pretty well posted so as to tell the sheep from the goats on a moment's notice.

Sincerely yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Denver, Colorado,
February 19, 1917.

Dear Mr. Treman:

I have been laid up in bed for a few days by a col and by the doctor's excessive precautions, so I am in shocking arrears in answering letters; will hope to clean up this week. In the meantime would you mind advising me if I am expected to draft a letter to go to Buenos Aires or will that be done in New York? I am returning Mr. Warburg's draft, retaining a copy.

I am deeply disappointed about Aiken's decision and am writing again personally, but, of course, with little hope that he will change his mind. Now the question is what shall we do.

It is a terrible job to find the man with just the experience we need. If anything occurs to the members of the committee, I hope they will advise me and I will likewise write you of any suggestions that occur to me.

Sincerely yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS;CC.

P.S. During the process of catching up with mail my letters are liable to be rather brief, but will not indicate any lack of interest in what is going on.

Denver, Colorado,
February 21, 1917.

FEDERAL RESERVE BANK DRAFTS.

Dear Mr. Treman:

I have a number of letters from you on this subject, together with a copy of the committee report and another copy from Mr. Jay, somewhat different from the one you send me. His, though not dated, seems to be the latest revision.

The decision of the Reserve Board not to have another Governors' Conference is serious indeed. I cannot believe that they will adhere to this decision. Most of the real work of developing these various questions and elucidating them has been done by these Governors' Conferences, and it would be a real disaster to have them discontinued.

Now, as to the report, - it strikes me as admirable except in one or two points, where possibly I am too stupid to get the meaning. On page 5 I think the report slurs the question of delay in receipt of advice by the Federal Reserve Bank which is to pay the draft. There will certainly be delays and I fear that they will be of sufficient consequence to make the working of the plan in many cases awkward and unsatisfactory. You know how reluctant banks are to hold over drafts at the request of the paying bank. They assume a liability for delay of protest which it is impossible as a legal matter to avoid, without the consent of other endorsers. Also the provision for telegraphing means a lot of trouble and expense which should, if possible, be avoided, and these telegraph charges will be very difficult of readjustment, because they really should be paid by the bank that draws the draft in every case in another district than the Reserve Bank

To - Mr. Treman.

February 21, 1917.

which pays the draft. Another point is in regard to the signature cards. I do not see how the paying bank can pay any draft without assuming heavy risks, unless it has a full set of signature cards and instructions as to the powers of the officers of the member banks to draw; otherwise, how is it a payment. The Federal Reserve Bank on which the draft is drawn would naturally not be liable for the payment of a draft which was wholly fabricated and fraudulent, although that draft might correspond exactly with the advice sent so far as amount, name of drawer and name of payee was concerned; I think the plan is weak at this point.

I do not agree with the report that advice between Federal Reserve Banks would not prove cumbersome, but I do agree that either that plan of advices from one Reserve bank to the other must be adopted, or else the whole subject dealt with on a credit basis, each member bank being given a certain line of credit for exchange purposes, for which its own Reserve bank would assume responsibility to any Reserve bank that acted as a paying agent.

I agree that the responsibility assumed under paragraph b., page 5, is possibly a reasonable banking risk for the paying bank to assume, if, and only if the paying bank has - a. advice and instructions from the drawee bank and - b. full particulars as to the signatures and authorities of the member bank drawing the draft.

The principle underlying this proposed arrangement is after all simple enough. If the bank which pays the draft does so on instructions from the bank on which it is drawn, then the only responsibility of the paying bank is to be sure that the draft paid is the one which it is in-

To - Mr. Treman.

February 21, 1917.

structed to pay. Those instructions can be specific as to each draft, in which case the draft must be identified beyond peradventure, or the instructions may be general as to any draft drawn by the member bank, in which case there must be a limit as to the amount of the drawing and equal care must be exercised to make sure that the draft is a valid one. I think you will find that Judge Curtis not only agrees with this view, but possibly will go a bit further and hold that we may not even enjoy the protection of the endorser's liability under certain circumstances.

I have been a good deal impressed with Van Zandt's remarks about this plan, as well as McKay's memorandum. It is all right for the Reserve Banks to go ahead in these days of easy money, abundant reserves and free move of exchanges in undertaking to do all sorts of things without charge to the member banks. You will find that some of these things will prove a tremendous burden and possibly a great danger when another turn of the wheel brings close money, deficient reserves and uncertainty and distrust. I am willing to make a pretty good sized wager that my friend Will Woodward, who has not only had a lot of experience but thinks about these matters with an eye on the future, will agree with every word of this statement.

As I have written before, I do not like the Gidney plan, which I believe will have a tendency to lure us into a sense of false security about the situation as to silver certificates and greenbacks. So much on this difficult matter, which I sincerely hope will be worked out to your entire satisfaction.

Faithfully yours,

R. E. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Denver, Colorado,
February 21, 1917.

BANK OF FRANCE.

Dear Mr. Treman:

Referring to yours of the 10, 14 & 17th on this subject. My suggestion of asking James Brown about the French law was made because he had dealt with this subject in connection with the first export credit. It seems to me that if inquiries are to be made in France, or of Mr. Coudert, the bank should do that direct. I have a complete set of the statutes covering these matters packed away somewhere among my books, but I think they are in storage much to my regret.

Pending the receipt of a reply to Mr. Brown's inquiry, it might be well to get an opinion directly from Mr. Coudert, but, as you realize, he is already employed by the French government in this country and might not feel free to give us an opinion. I would also suggest that Mr. Curtis have a talk with Casenave and Bloch, the French Commissioners, and I will have a talk with Mr. Robert Masson on the subject, as I expect to see him the last of this week. Of course, an informal inquiry, such as Mr. Brown's, would not be a sufficient basis for our agreement, but I thought it might be a guide in developing the subject.

The memorandum for the Bank of France failed to deal with one point which Mr. Curtis and I discussed, and that is the question of the possible effect of a Moratorium upon the settlement of our accounts, or the payment of bills which we might buy. I suggest your getting out the file containing the Brown export agreement, as well as the Bonbright, and see how the matter was dealt with in those agreements. Mr. Curtis knows

To - Mr. Treman.

February 21, 1917.

my views, as far as I have any; it is a legal rather than a business question. I hope this matter can be pushed along pretty promptly for the mail delay is terrible just now and I don't want Pallain to think that we are stalling.

Sincerely yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

COPY

Denver, Colorado,
February 26, 1917.

Dear Mr. Treman:

I have been trying lately to write separate letters on different subjects, but cannot very well do so today on account of the accumulation of mail. This letter will relate to matters of minor importance.

McDougal's letter is distinctly unfair. He again makes the mistake of taking the position that the Federal Reserve Board and the Federal Reserve Banks are entirely free from the restrictions and provisions of the Federal Reserve Act as to exchange charges. He will not and cannot seem to get it into his head that we do not make the law and that all we can do is to comply with it.

I am hoping to get details about your new director, particularly as I would like to write him.

I am glad to learn by yours of the 14th that we are beginning to accumulate gold. As I have written Mr. Jay, this matter needs to be carefully handled and for the present I doubt the wisdom of holding anything but standard mint bars, unless we should have a shipment of sovereigns in good condition, in which case we might be justified in holding them at bullion value.

About rates, it strikes me now that the rates are about right. As nearly as can be judged from here, reviewing the past two months, I believe had we stuck to a lower rate until the early part of February, developments at that time would have justified an advance and our earnings possibly would have been a little better, but after all it is a small matter and it looks as though we were certainly on the right track now.

To - Mr. Treman.

February 21, 1917.

I am sorry that my letter from Phoenix appeared to you to be unjustified as to our policy in dealing with the Board and with our investment matters. The last thing I would want to do is to give you any impression that I am dissatisfied or critical, even if sometimes my own opinion does not coincide with yours, particularly when your unfortunate job, with its many disagreeable episodes, was thrust on you so largely for my benefit. Possibly you may not realize as strongly as I do the change which has taken place in the policy of the Board in Washington in managing the system with a stronger hand, and, on the other hand, the necessity that we must run the bank ourselves, so far as its policy and transactions are concerned, in many of these matters. I have talked this matter over very fully with Curtis, who knows my views in detail, and I am sure that he will express them to you better than I can by letter.

It is a great shock to me to hear that the reserve requirements are being reduced and the bars let down to any greater extent than was recommended by the Reserve Board. We are in the midst of the greatest period of speculative expansion the country has ever witnessed and this reduction proposed will make it all the worse. That is what comes of tinkering with the law, necessary though it is if we are ever to get it right. Don't you think that this matter justifies some representation being made to the Reserve Board as to the serious danger which may result.

So much has been said about loss of earnings to banks that take membership in the Reserve System that I should think it would pay for the Reserve Board to get a precise statement on this subject from those State Banks which have taken membership and which have had long enough experience

To - Mr. Treman.

February 21, 1917.

to determine what the advantage has been. This might be quite a convincing argument to some of our critics.

I am thinking of you and your troubles and labors all the time, particularly now that Aiken seems to have turned us down and that possibility of relief is not in sight. I was counting on it, as I know you must have been, and am grievously disappointed.

Best regards to you and to the others.

Sincerely yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

*Stegman
m261784*

Denver, Colorado,
February 23, 1917.

Dear Mr. Treman:

BANK OF ENGLAND CABLES.

Replying to yours of the 19th, I am sure that after reading over the correspondence and talking with Curtis, this situation is better understood than it was when that letter of yours went to Washington. You may be sure that I did not make the suggestion, first about the inquiry through Morgan and, second, about sending that particular cable of which by the way I have never received a copy up to the time my letter was sent to you, without a good deal of thought on all of these points.

Yours very sincerely,

M. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Denver, Colorado,
February 23, 1917.

Dear Mr. Treman:

BANK OF FRANCE.

Thanks for yours of the 19th. I hope the memorandum is given a very careful overhauling and then shipped to me for further consideration, after all suggestions have been embodied. Be sure and take it up with Mr. Woodward as he is much interested and will have some thoughts.

Hope Mr. Jay makes a satisfactory arrangement about the Bank of France appointment and I particularly hope that the views I expressed about the announcement are carefully regarded. The suggestion about cabling and giving Fallain some notice that the announcement of authority to make the appointment does not mean that the whole job is done is important and should be considered.

Very sincerely yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Denver, Colorado,
February 23, 1917.

Dear Mr. Tremen:

PREPAREDNESS.

Yours of the 20th is just received and has given me more satisfaction than any letter I have received from the office in a long time. That report sounds real snappy and surely indicates that the suggestions sent by the Special Committee were largely unnecessary, but nevertheless the report reads like business and pleases me tremendously. At the risk of repetition, I will refer to one or two headings:

1. NOTE SUPPLY. An order up to six hundred millions seems a little bit large to me, not that they might not be needed but because while say the first three hundred millions were being issued large additions to the stock could be made. My further suggestion is that one hundred millions, possibly more, be carried as a minimum reserve by the Reserve Agent in our own vault, under special safeguard.

2 & 3 require no comment.

4. The importance of having the credit department right up-to-date and complete, with all information about member banks and about acceptors whose bills we buy cannot be exaggerated, and I would keep the pressure on in this department just as stiff as possible.

5, 6 & 7 require no comment as everything seems to be done or under way.

8. FOREIGN MATTERS. I agree absolutely with Mr. Forgan, but that need not mean that we should not employ promptly a first-rate man who understands the detail of figuring exchange, keeping exchange accounts,

To - Mr. Treman.

February 23, 1917.

conducting exchange correspondence with foreign banks, keeping suitable records, running foreign bank accounts,

Mr. Cann can doubtless supervise all of this but we ought to have a man of experience to take charge of the office work growing out of our foreign business. This does not mean that we will compete with our members in any sense of the word.

9. GOLD. I have answered the inquiry on this subject I believe quite fully.

10. EQUIPMENT. I do not understand whether the long distance telephone connections mean private wires, with the heavy expense involved, or simply arrangements with emergency connections. For the present I should think the latter would do as a switch could be made to private lines on very short notice. The same applies to the Western Union.

11. ORGANIZATION. Judge Curtis and I discussed this subject in great detail and he can tell you my own views better than I can express them in a letter. One of the greatest difficulties in our office is over-lapping of work by the officers themselves and some lack of co-ordination in their work so as to make it effective without waste of time. He will elaborate.

12. No. comment required.

13. I believe that the matter of amendment to the Clayton Act and the member State Banks and Trust Companies should be followed up.

The above covers all I have in mind and now success to your efforts.

Very sincerely yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

Denver, Colorado,
February 26, 1917.

Dear Mr. Treman:

Yours of the 21st, enclosing Mr. Peple's memorandum in regard to Federal Reserve exchange, is just received.

It is a clearer and more concise statement of the plan than others we have seen, but really contains nothing new calling for any comment, with the exception of one statement on page 5 which I have marked.

We all admitted and thoroughly understood when the present collection plan was adopted that the time schedule could not be accurately laid out without experience, but, as I recall, it was planned to make readjustments from time to time so as to eliminate float where the time established was too short and at the same time to reduce transit time by shortening the schedule wherever experience showed that to be possible.

Richmond now calls attention to the fact that the time schedule with them is too short in many cases, and I think we should at once look into that and see that readjustments are made. The analysis of our transit account shows that we are carrying roughly two and a half millions of float in addition to the normal New York Clearing House float. Some of it doubtless arises in the Richmond District and here is a good opportunity to correct it.

I realize the objection which Mr. Hendricks will raise, that none of these schedules can be so accurate as to eliminate a certain amount of float. I agree that that is true. but that is no reason at all for resting satisfied with the schedule as at first prepared. The effort should be to make it

To - Mr. Treman.

February 26, 1917.

accurate and this will require continuous study.

This part of Mr. Peple's argument seems to be an effort to demonstrate that two wrongs make a right. In other words, if we are willing to admit some weaknesses, or unsound principles, in the present collection plan, we should therefore be willing to accept them in establishing this plan for Federal exchange, which of course is thoroughly unsound.

Yours very truly,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Denver, Colorado,
February 26, 1917.

Dear Mr. Treman:

I am just advised that arrangements have been made for the bank to reimburse Miss Carlton's salary. It seems to me that this is hardly necessary and I am wondering whether the matter has received full consideration by all the officers, or possibly was inspired by sentiment, which is not cold business.

I hope that you keep well and are not depressed by the various combinations of depressing circumstances.

Very sincerely yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Denver, Colorado,
February 26, 1917.

Dear Mr. Treman:

Thanks for yours of the 21st, enclosing copy of cable to
Pallain. I am awaiting with much interest further developments in this
matter.

Very sincerely yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

Y

D

O

Q

Denver, Colorado,
February 27, 1917.

Dear Mr. Treman;

Today's mail brings a copy of the statement of the bank as of last Friday in the form regularly furnished to the newspapers, and I am wondering whether progress is being made towards the adoption of a new form which will be more accurate than the one now in use.

This statement, some way or other, offends my sense of what is accurate and in a way truthful. It omits, for instance, \$174,000 of last year's net earnings, carried to profit and loss, \$375,000 of earnings items of the current year and \$77,000 of expenses of the current year.

Might it not be well to refer this to a committee of the Junior officers to make recommendations?

Very sincerely yours,

R. H. Treman, Esq.,
Federal Reserve Bank,
New York City.

BS/CC

FEDERAL RESERVE BANK
OF NEW YORK

B.A. Jr.

JAN 10 1917

January 2, 1917.

My dear Governor:

At the request of Governor Seay, I am sending you a memorandum in re a new ratio of reserves to be kept in Federal reserve banks with no requirement as to vault reserves for the member banks, as he was not clear as to your present address.

With kind regards, I remain,

Sincerely yours,



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

RHT/CEP
Enc.

FEDERAL RESERVE BANK
OF NEW YORK

D.A. Fr.

January 2, 1917.

JAN 9 1917

My dear Governor:

We have just had a telephone from Mr. Jay, who is at Washington on his way up from Aiken and I hope he will be home in time for the meeting of our directors to-morrow.

We received a communication from Mr. Locke, stating that he thought we ought to take even a stronger position than had been indicated in the proposed letter to the Board at Washington in regard to the method of communications between the Board and the bank and in regard to the publishing of the Bank of England matter. We will take up to-morrow probably the question of making application for authority to negotiate with the Bank of France, and it would seem as though permission granted just now might help the entire situation.

Mr. Curtis had a long talk with Mr. Delano, who was at Piping Rock yesterday and he will undoubtedly write you in detail, but he stated that there was more or less irritation in Washington concerning ^{our} matters there and also advised that he took the position that it would be better for us to send a committee than to send a communication to Washington. I have no doubt but as a result of this stirring up all around, we shall have more cooperation on the part of the Board at Washington with this bank, or at least I hope so.

Having made quite a canvass of the acceptance market, I am inclined to think that the directors to-morrow might well authorize a somewhat higher acceptance rate; that is, making 3% our minimum rate, because, while indications point to an easy money market for a while now, I am inclined to think that the rate mentioned would be justified and might have the effect of our not securing as many acceptances temporarily, but if rates are from 3% to 3 1/2%,

*Fraser 3/10/17
m 0261 Fraser
Agencies + Accts*

there will be many more banks in the country purchasing acceptances and thus helping to develop the open market.

We will probably have a very busy meeting to-morrow, at which probably Mr. Locke will not be present, to my regret.

The question of the advances in salaries and the report of the committee on an emergency salary due to the high cost of living will come up in the form of a recommendation, I assume, from the committee of Messrs. Peabody and Thompson.

Mrs. McLaren expects to begin work to-morrow, I believe, resuming her old position.

I hope that we shall have no further disturbances from Washington to straighten out, as a large part of our work last week was caused by the unexpected announcement of the Board, and I understand that Governor Harding took exception to my stating that a considerable portion of my time was spent in defending the acts of the Federal Reserve Board.


I have no excuses to offer, because that is a statement of fact and I only used it in justifying my contention that as I had since my occupancy of this position been defending the acts of the Board, if I were to continue, I must have information as to some of the reasons for the actions taken by the Board or otherwise I could not explain same to others who might be disposed to be very critical, as had been the case in the past. Oh, this position is certainly a real "love feast" when one has to deal, as we do, with the Federal Reserve Board. If we can be left alone, I hope, after Mr. Jay returns, that we can do a few things of a constructive character in developing the operation of this particular banking institution, which is really our principal function, as I interpret it.

I trust that your stay in Estes Park did you good and that you will just continue the good work which you have been doing of building up your physical strength and energy and restraining the impulse to overdo, which seems

to be an inherited and quite a natural impulse which you possess.

My very best regards to you and my appreciation of the New Year's greeting.

Sincerely yours,



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

RHT/CEP

Later --- Since dictating the above, I have received a letter from Governor Harding in answer to my letter of last Friday, December 29th, (a copy of which I sent you for your information). I have no comment to make on Governor Harding's letter to me but when I receive information from you as to what steps you are taking in the matter of the Bank of England, I shall attempt to inform him in a dignified way of the progress being made.

R. H. T.

FEDERAL RESERVE BANK
OF NEW YORK

R.A.W.
JAN 9 1917

January 3rd, 1917.

Dear Mr. Strong:

I assume that you will keep me posted as to what correspondence you have in re the Bank of France matters.

This morning soon after reaching the bank, Mr. Curtis telephoned me that in running for a street car, he twisted his ankle and was flat on his back waiting for a doctor to take an X ray to determine whether any bones were broken or merely an ankle sprained. It looks as if he would not be able to be around for some little time and may have to go on crutches for a while.

We had a very interesting meeting of directors this morning, all being present except Mr. Locke who wrote as follows:

"I have thought over the London matter ever since I heard from Mr. Curtis on Saturday and the more I think of it the more angry I become. I hope and pray that you will not let down a particle and if you change your proposed communication you will simply make it more vigorous. It is perfectly evident that whoever issued that announcement to the press did it knowing that it was without justification. It was no mere oversight of a clerk. You remember how vigorous Strong was in emphasizing that particular clause of the memorandum. I, for one, have never dared to open my mouth on the subject to any human being and I presume the same obtains with every member of our Board. My only fear is that you will temporize."

After a full discussion of the Washington episode and after Mr. Peabody had reported that he had received a telegram from Mr. McAdoo asking that he come to Washington in re New York Reserve Bank matters, and a telephone message from Governor Harding suggesting that no resolutions be passed by our Board, as well as a further report as to

Mr. Curtis' conversation with Mr. Delano on Sunday when Mr. Delano was visiting Mr. Charles Norton, it was decided to appoint a committee composed of Messrs. Towne, Peabody and Woodward who are to go to Washington next week on Wednesday for a conference with the Reserve Board as to the Bank of England matter and the relations between the Board and the New York Bank so as to induce greater cooperation if possible. The matter of resolutions was held in abeyance until after that committee had reported as to their visit. Evidently, Curtis, Jay and I are not in very good repute just at the moment in Washington but, seriously, I believe that more will be accomplished by personal frank discussion of the various matters than by any written communications.

The rates of discount were continued and it was thought advisable to raise the acceptance rates about $\frac{1}{4}$ %.

Mr. Peabody reported on the committee on salaries and the committee recommended the following advances to be made:

Mr. Curtis:	\$3,000
L. F. Sailer:	2,000
L. H. Hendricks:	1,200
E. R. Kenzel:	1,200
H. M. Jefferson:	800

They also advanced 59 employees listed as "Class A" who had been recommended by Mr. Sailer and the other junior officers jointly as being specially worthy of small advances. They also made a supplementary list "Class B" and another "Class C" of other employees whom they recommended should be advanced provided funds were available. ✖

Recognizing that the salaries for 1916 were determined at a time when the cost of living was much less, there having been an advance of about 20 % in food and clothing during the year, the committee recommended that a temporary emergency salary compensation be made to meet these abnormal conditions and to all employees of the bank receiving \$1200 or less they

recommended 10 % of the amount of salary actually received by them during 1916. It was further recommended that $7\frac{1}{2}$ % of salaries be paid to those receiving between \$1200 and \$3000 inclusive and a further payment of 5 % be paid on salaries of \$3000 and upward applying to all the officers except the Governor and Deputy Governor. The recommendations of the committee after a few questions were asked was passed unanimously.

The Board reelected the same officers, Governor, Benjamin Strong; Deputy Governor, R. H. Treman; Counsel, J. F. Curtis and also a new Executive Committee, electing Messrs. Woodward and Peabody as permanent members for a year, the others to be rotating.

At Mr. Jay's suggestion, the question of electing a member of the Advisory Council was laid over until the next meeting owing to the late hour at which we adjourned.

I asked the Board at their next meeting to visit and inspect the new vaults.

I was authorized to make a formal application in behalf of the bank to the Federal Reserve Board for permission to take up negotiations with the Bank of France, but Mr. Peabody suggested later to me that we should not make this application until after the visit of the committee to Washington next week.

The matters connected with the Philippine Bank and the Bank of Montreal were referred to the Executive Committee to report.

We did not adjourn until about one o'clock.

Am very glad that the Board was so generous in its action in raising salaries, etc, and hope that it will be appreciated as I feel that we have a fine organization here in the bank and things seem to be moving

very smoothly internally. Where our greatest difficulties seem to arise is with the Federal Reserve Board and I hope that our Committee will be able to establish closer and more friendly relations between the Board and this bank as I believe we could work more satisfactorily and successfully.

Bear in mind some of the advice Dr. Treman has given you because you have now reached a point where if you do not behave we ought to summon the high sheriff of Colorado to call upon you and read several chapters of the riot act.

With kind personal regards, I remain,

Sincerely yours,



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

RHT/VCM

~~Handwritten mark~~ P. S. While the directors accepted the recommendations for the "A" list, they did not feel justified in doing the same with Classes "B" and "C".

R. H. T.

Strong

TRANSIT DEPARTMENT

FEDERAL RESERVE BANK OF NEW YORK

Close of business JAN 3 - 1917

Number of Items handled

45,505

Totaling

\$ 11,553,518.89

Short

Difference

Over

Time out:

A - E

J - M - Z

F - N ^{5¹⁰}

Federals - City

O - Z ^{6¹⁰}

Federals - Country

J - A - L

Mail out

645

Strong

*Examination of
the record in
C 201 + receipt
+ costs
and receipt*

At a meeting of the Board of Directors of the Federal Reserve Bank of New York on January 3, 191⁷, all of the directors being present excepting Chairman Jay and Mr. Locke of Buffalo, the Acting Governor, Mr. Treman, submitted a report and statements concerning the announcement in the public press of authorization by the Federal Reserve Board to this bank to appoint the Bank of England as our agent and correspondent with the privilege to the other Reserve banks to share in the relationship. After full discussion of the embarrassment occasioned to the officers and directors and the bank itself by this manifest evidence of the lack of confidence and cooperation on the part of the Federal Reserve Board with the executive officers, it was voted to spread upon the minutes of this meeting these statements respecting the situation developed including clippings from the newspapers purporting to be statements given out at Washington. It was also voted to approve the following statement of the sentiment of this Board respecting this indication of the lack of effective cooperation with this bank and the Secretary was directed to forward the same to the Federal Reserve Board.

STATEMENT

The directors of the Federal Reserve Bank of New York deem it essential to their own self respect as entrusted with the obligation to properly conduct the affairs of this bank to make this formal record for transmission to the Federal Reserve Board of the history of the negotiations undertaken on their direction by Governor Strong with the Bank of England, and further, of their view of the unfortunate lack of interest shown by the Federal Reserve Board in the obligation of secrecy assumed by Governor Strong and the directors and later by Deputy Governor Treman in dealing with this negotiation.

Early in the year 1916 Governor Strong, in order to promote the general purposes of the Federal Reserve System, particularly as to the operations of this bank, undertook a trip to Europe to investigate the possibility of such

establishing desirable connections there, and especially the possibility of such a connection with the Bank of England. We were then advised that the purpose of this trip was made known to the Federal Reserve Board and had its approval. In this endeavor Governor Strong was fortunately successful, particularly in establishing cordial personal relations with the Governor of the Bank of England, ~~and~~ *Lord Cunliffe* with the result that a tentative understanding for reciprocal relations between this bank and the Bank of England was agreed upon for submission, at a time to be fixed, to the governing body of each bank and to the Federal Reserve Board. The last paragraph of that agreement reads as follows:

"No announcement directly or indirectly (is) to be made regarding the contents of this memorandum without the explicit consent of both institutions."

It was further stated by Governor Cunliffe that he had carefully refrained from advising his own directors of the negotiation.

Soon after his return Governor Strong reported these facts to the Federal Reserve Board, advising that the negotiations thus commenced should be continued, and especially emphasizing the confidential feature of the understanding. Subsequently and during Governor Strong's absence, by letter dated August 28, 1916, signed by the deputy governor under the authority of this board, this bank requested authority from your board to enter into the relations contemplated in the memorandum agreed upon with Governor Strong. This communication of August 28th was considered by Deputy Governor Tremen of such a confidential character that it was not entrusted to the mails but carried to Washington by the secretary of this bank and presented in person to the Governor of the Federal Reserve Board, with the request then renewed that all matters pertaining to the subject be kept in strictest confidence. So far as we are now informed, no action on this request was taken until December 19th, on which date, we now understand, the Federal Reserve Board authorized this bank to appoint the Bank of England as one of its foreign correspondents and agents. The information of this action on the part of the Federal Reserve Board first reached us on December 26th through the public press. Deputy Governor Tremen received a letter from Mr. Warburg on December in which he stated

Although the matter at issue had been brought to the attention of the Federal Reserve Board by our letter of August 28th, signed by the deputy governor of this bank, that board, in making reply, ignored the responsible executive head of this bank by addressing their reply to the Federal reserve agent and marking it "Confidential." It was known to the Federal Reserve Board that Mr. Jay was then absent on account of illness and of course this communication marked "Confidential" was forwarded to him unopened, and its

contents only became known to the deputy governor of this bank on December 27th when it was received by him from Mr. Jay. In the meantime, on December 26th, the daily press of the country published a statement, purporting to be furnished by the Governor of the Federal Reserve Board, announcing the action of the Federal Reserve Board above referred to, and as shown in the attached, making further remarks relating to this arrangement.

It thus results that the agreement made by Governor Strong in behalf of this bank with Sir _____ has been violated by the Federal Reserve Board and that Governor Strong and this bank are thus placed before the Governor of the Bank of England in the position of having apparently been responsible for an extraordinary breach of confidence.

With all due respect for the Federal Reserve Board, with full recognition of its right of control over the regional banks in matters of policy, but also with a keen sense of our own responsibilities in the conduct of the business of this bank, and of the absolute need of coordination and of reciprocal recognition of duties and responsibilities between the Federal Reserve Board and this bank, the directors of the Federal Reserve Bank of New York submit that we were entitled: first, to a direct response to our letter of August 28th; second, to prompt information to the executive of the board concerning decision on the matter in advance of its being given to the public press; and third, above all, to your protection of our good faith and good repute in regard to fulfilling the explicit obligation entered into by Governor Strong with ~~Sir~~ *Lord Curzon* that no publicity should be given to the negotiations save with the previous knowledge and consent of both parties, of which fact you had been so fully and so carefully advised by Governor Strong and other officers of this bank.

In letter of December 27th to Deputy Governor Treman, Governor Harding argues that the transactions of the Federal Reserve Board constitute public business, and, as such, are subject to the call of Congress. While ^{fully} recognizing

this fact and its obligation, we respectfully call attention to the coincident fact that in most, if not all, departments of the Government, notably in the State Department, many confidential matters are constantly dealt with under every possible precaution against publicity until conditions permit of their release, and that the negotiation of many matters of the utmost importance would become impossible if a rule of unlimited publicity were enforced. We submit that the proposed foreign relations of this bank come as a matter of course in this class.

¶ We venture to point out that the necessary confidential relations between your board and the acting executive of this bank would have readily provided opportunity for our securing the permission of the Governor of the Bank of England to any desired publicity and thus fully protected Governor Strong's agreement, and as well given assurance to the Bank of England that the Federal Reserve Board appreciated the character of such confidential agreements. This board respectfully submits that such understanding respecting the appreciation by your board of confidences of the greatest importance to the future initiation and completion by this and other banks of delicate and highly valuable negotiations to further the broad policy of the Federal Reserve Act.

In view of the continued absence of Governor Strong and the conduct of the bank's affairs by the deputy governor, this board deems it necessary to assure the proper management of the bank's affairs to now report formally the request which we understand was frequently made by Governor Strong that communications from the Federal Reserve Board affecting the operations of this bank be addressed to its executive officers, rather than to the Federal reserve agent, who is as regards these matters not the responsible executive but an active and most helpful director and member of the executive committee. We fear that, unless such practice is at once established, unfortunate occurrences similar to the one now under discussion will take place and in active excited markets it is readily to be seen that costly and far-reaching damage might result.

FEDERAL RESERVE BANK
OF NEW YORK

R.A.H.
JAN 10 1917

January 4th, 1917.

My dear Governor:

We received your telegram in connection with the suggested report or letter to the Reserve Board in re foreign bank matter and noted your suggestions. Probably no letter will be sent, however, the work being done by the Committee in person, as they visit Washington next Wednesday.

Mr. deNeuflize called again to-day and told us that he had been in communication with Monsieur Pallain, that he was authorized to discuss informally matters pertaining to reciprocal relations between this bank and the Bank of France, that he greatly desired us to suggest informally some of the principal transactions which would be mutually beneficial, (that is, what operations could be carried on between the banks,) that he, Mr. deNeuflize, contemplated returning to France in about two or three weeks and would be glad to take up the matter now by cable and then more in detail after he reached Paris. He said further that he could furnish us with ample official authority direct from Paris as to his being authorized to represent the Bank of France in these informal negotiations. This summarizes his statement to us, I think.

Mr. Jay and I told Mr. de Neuflyze that there had been an informal exchange of views between you and Monsieur Pallain continuing at intervals your conversations when you were in Paris, that all negotiations were being carried on through you and that we would ascertain by writing you just the present status of the correspondence.

I informed you yesterday that I was authorized to make formal application to the Reserve Board for permission to proceed with these negotiations, but Mr. Peabody suggested waiting until after the Committee had been to Washington. Will you kindly advise me whether you are in direct correspondence with Monsieur Pallain now and are expecting a letter from him; if not whether it would be advisable for you to write him that our Board had made application to the Reserve Board to enter into formal negotiations for reciprocal relations? Will you not also secure from Monsieur Pallain specific instructions as to the status of Mr. de Neuflyze since should he remain here one or two months longer or return shortly to France, we at the bank should know just what standing he has. He has been informed emphatically that you have been carrying on and will continue to carry on in behalf of this bank all correspondence and negotiations with the Bank of France, but as he will undoubtedly continue to call on us you will, we assume, keep us informed in order that we may know how to handle such particulars as we are obliged to handle at this end. Mr. Jay and I both feel that you should ascertain, as stated above, direct from Monsieur Pallain the status of Mr. de Neuflyze and advise us of same.

Will you, therefore, write me just the present condition of the negotiations and will you be prepared to continue them as soon as the Board at Washington grants our request? Meanwhile, will you continue the informal correspondence?

Have you done anything about the Bank of England matter, as we have done nothing since sending the cable to Lord Cunliffe expressing your wishes in the matter and advising that negotiations would be continued by you.

Curtis is better to-day but thinks that it will be next week or the week after before he can get around.

Mr. Jay expects to spend to-morrow at his home writing his annual report, material for which has been gathered by Mr. Cann and others.

I hope to go home to-morrow, Friday night, and remain there Tuesday for our annual bank meeting.

It has been arranged that the Committee composed of Messrs. Peabody, Towne and Woodward will go to Washington for a meeting next Wednesday with the Reserve Board.

Nothing new has developed in reference to filling my position as Deputy Governor beyond what I have already written except that Messrs. Peabody and Woodward have discussed the same a little and are making some inquiries in certain directions.

Mr. Jay had an offer of a bank position here in New York but I assume he will write you the details.

In view of my correspondence with Governor Harding, it is difficult for me to know my status at Washington, but I am still on the job at New York and hope to continue for a while longer until matters are shaped up here to permit me to leave. I

1/4/17.

am frank to say the treatment from Washington with which you are familiar does not encourage me in my desire to remain.

As I wrote you yesterday, the old officers were reelected and I think among the directors it is understood that you will not return before next Summer to take up active work, but that they are expecting you to do so as soon as you and your doctor deem it wise, and that an arrangement somewhat along the line I wrote you should be consummated- having some one to carry the detail and you handle the bigger problems. I want to assure you that reports of your gaining give a great deal of pleasure to all of our directors and that they are most agreeable to your staying until you are thoroughly restored. I wish I could drop in occasionally and read the Riot Act to you in a forceful way because I feel that it must be a temptation to you as you grow stronger and more vigorous to feel that you can put the globe and all of its troubles on top of your shoulders and carry it, but we want you to assume only the most necessary ones and not worry about matters here which will work out all right I am sure.

My very best wishes to you and in this the officers and directors would join if they knew I was writing.

Sincerely yours,



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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

R.A. Fr.
JAN 10 1917

January 5th, 1917.

My dear Governor:

Mr. Curtis is improving and hopes to be around early next week.

The Reserve Board approved of the application of Mr. Charles M. Schwab to permit him to become a director in the Chase National Bank and the Empire Trust Company.

I wrote you I think that the Board on Wednesday raised the acceptance rate to $3 \frac{1}{4} \%$ for member bank acceptances at 90 days, subject to the usual $\frac{1}{4} \%$ for additional bank endorsement. I have notified Rhoads, Aiken and Fancher and they will adopt the same.

Mr. Woodward told me yesterday that banks were buying acceptances very freely and Bernard, Scholle & Company offered us $3 \frac{1}{8}$ for one million of our bank acceptances if we cared to sell. While we may not get as many just now, those we do buy will pay us a better rate and later we may think it wise to drop our rate, but I feel that we have made some headway recently in the development of an open market. Mr. Kent told me that he had sold all the bills they had in their portfolio yesterday (about one million), at rates somewhat lower than ours. I hope that you approve of our action.

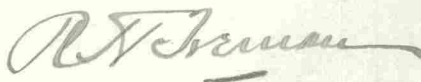
Jan. 5, 1917.

Probably six of the Governors will meet in Washington January 22nd and 23rd on work assigned to the various committees. I hope by that time we shall have as a result of the New York bank committee going to Washington next week, a better working basis between the Board and this bank.

Money seems to be working much easier in New York and the general impression seems to be that we shall have easy rates for the next few months.

I hope to go to Ithaca to-night to remain until Tuesday night when I hope to bring Mrs. Treman back with me for a few days. I shall try to arrange some of my private affairs which have been somewhat neglected of late and two or three days will enable me to clean them up in nice shape I trust.

Sincerely yours,



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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

January 10th, 1917.

My dear Governor:

I beg to acknowledge receipt of your favor of January 5th, enclosing confidentially your letter to Mr. Warburg in re memorandum on greenbacks which I am to hold in confidence until I hear from him direct, and the same will be so treated.

Sincerely yours,



Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

R.A.W.

JAN 15 1917

January 10th, 1917.

My dear Governor:

I returned from Ithaca this morning and brought Mrs. Tremen with me for a week or two of change for her as she has been living too strenuous a life recently and if she comes down to the quiet of New York City, it should help her.

I went up to Ithaca Friday night and stayed over yesterday so as to clean up some of my personal affairs which have been sadly neglected and incidentally to attend some meetings of the banks which were held yesterday and especially our own, it being the annual meeting of our stockholders. They re-elected me President and I explained to them that, whereas, I thought the limit of my stay in New York would be January 1st, it looked now as though I might have to stay for a somewhat longer indefinite period until matters could be adjusted satisfactorily here. Apparently they were entirely satisfied to have the arrangement go on so long as there was to be a termination later and it relieved somewhat my anxiety as to the situation at home to find that they were so willing to cooperate with me in working matters out.

I assume that matters here will develop gradually but surely. In any event I feel that there is no need for you to feel at all anxious about taking all the time necessary to

1/10/17.

build up your strength so as to resume the work which they are all so anxious to have you do, not only here, but I fully believe in Washington, also. So grit your teeth and stick to the régime, though monotonous and arduous it may seem, and the results will be most gratifying to all, I believe.

I find your mighty nice letter of January 5th in regard to the "difficulties and troubles" which have developed to an unusual degree recently.

Our Committee of Messrs. Towne, Peabody and Woodward are in Washington to-day and I hope they will be able to straighten out the situation so as to bring into closer relations the Board and this bank. Mr. Delano advised me that he would be here on the 16th and Mr. Jay telephoned me this morning that he had asked Governor Harding to come over with Mr. Delano and spend a day at the bank and I am in hopes that they may come as I think that such visits cannot but be helpful and bring us into a more harmonious relationship.

So far as I am concerned personally, I confess that Governor Harding's letter did disturb me and while I laughed when I first read it (as I did see the humor of the situation and felt more sincerely sorry for him than for myself), yet it hurt somewhat. However, so far as I am personally concerned, I have had sufficient hard knocks myself to try and take them standing up and remain so, and believe that all this misunderstanding grew out of an unusually unfortunate combination of circumstances and I have faith that to-day's meeting in Washington will clear the atmosphere and result in better feeling all

1/10/17.

around; so dismiss this from your mind. As for my being discouraged or feeling that the work is not worth while - if that comes, it is temporary only and passes away, and the antidote is the great pleasure I have enjoyed in my association with my colleagues and others in this bank who have treated me with the greatest courtesy and have always upheld my hands.

I do thank you for your cheering words and hope that there will be no further occasion arising for your feeling that I need any encouragement of this kind.

Since writing the above, I have read Mr. Locke's "explosion" and thinking that you would enjoy it as much as I am sending you a copy herein.

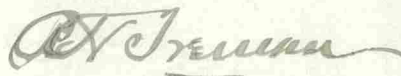
Dr. Treman is impressed with the fact that you are overwhelmed with mail and that you should not be interfered with in your careful and mature thought which you must necessarily give to the framing up of our relations with the Bank of England and the Bank of France. So as far as any answers to my letters are concerned, I want you to cut them out entirely or postpone the answers indefinitely or forget them altogether. We will probably send you more or less unimportant "gossip" to throw a little lighter coloring on the picture, but please don't fall under any necessity of following it up in your answers.

If it is necessary for Dr. Treman to associate himself with Dr. Sewall, and if he needs any real expert assistance in reading the medical riot act, tell him not to hesitate to call upon me and I will do my part, as the patient is worth our very best skill and ability.

1/10/17.

With kind personal regards and my very best wishes that every week will add something to your surplus strength and that you are having more and more peace of mind. It certainly has been a great joy to me to have been brought into such close relations with you, my dear Governor, and this association has developed in me a very sincere affection for you.

Sincerely yours,



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

RHT/VCM

C O P Y.

January 5th, 1917.

Hon. R. H. Treman,
Federal Reserve Bank,
Corner Pine & Nassau Streets,
New York City.

My dear Mr. Treman:

I have your letter of yesterday. I regret very much that any committee was appointed. After Harding's letter to you of December 30th, of which you enclose a copy, and which I should regard as a direct personal affront to the whole Board, I would have refused to comply with any suggestion that the members of the Board might make touching the committee or anything else. I am very sorry for Curtis.

Yours very truly, yo

(Signed) Franklin D. Locke.

*Carbon in
CALIFORNIA*

FEDERAL RESERVE BANK
OF NEW YORK

B.A.H.
JAN 13 1917

January 10th, 1917.

My dear Governor:

I reached the bank late this morning because of a delayed train and found your document in re Bank of England and Bank of France matters. Glancing hurriedly over it, I saw that it pertained to the situation as it had developed and contained recommendations as to future action, and as it was then 10:20 and our Committee was expected to have its session with the Board in Washington at 10:30, I 'phoned the Committee, talking with Mr. Peabody, reading him the essential extracts from your letter which had a bearing on their mission and having him take a copy of same at that end so he could transmit it to the other two members of the Committee. I impressed upon him that this was marked "Confidential" and that in transmitting it to him I assumed that he would treat it as such in every way, but use the information contained therein because of its very great bearing on the matters which they were discussing with the Board. He told me that he would see that it was treated in accordance with my request, and I hope you will approve of my taking the liberty of conveying the knowledge to him. I felt that without question they should have this information if they were to properly represent this bank and its position and especially your own position as you were the one most concerned in the violation of the agreement.

Mr. Curtis is still at home with his ankle but hopes to be around some time this week and Mr. Jay is home to-day writing his annual report so that it was a matter necessitating immediate action and I used your letter as stated above.

Hoping that you will feel that I was justified in taking this liberty under the circumstances, I remain,

Very sincerely yours,



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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

B.A. Jr.

January 11th, 1917.

JAN 16 1917

My dear Governor:

Messrs. Towne and Woodward returned from Washington this morning and Mr. Towne telephoned Mr. Jay and myself giving some details of their experience making the summary that the trip was well worth while, that he felt they had accomplished practically all that they had set out to do and that much of the trouble was due to Governor Harding's illness.

Secretary McAdoo presided at the conference which lasted nearly two hours, then they lunched with the Board. Mr. Woodward is coming in later to-day to give us more detail and Mr. Peabody remained in Washington to go into the matter more fully with individuals in order to clean up the situation, if possible.

The Directors at their meeting last Wednesday authorized me to make application to the Federal Reserve Board at Washington for permission to enter into reciprocal banking relations with the Bank of France and I contemplated making the same formal application that I had made last August in re the Bank of England matter. Mr. Peabody asked that the matter be held up until the Committee had been in Washington and I assume that he personally will talk over the matter with Mr. Warburg, Governor Harding and the others, although Mr. Towne stated that the Committee did not

1/11/17.

touch upon that subject yesterday. We do not wish to do anything, however, in this matter without your knowledge and approval unless we have to act quickly, as you are expected to carry on the negotiations with the Bank of France and I am writing to ask you to wire me on receipt of this letter whether you approve of our making formal and immediate application to the Reserve Board for permission to complete negotiations with the Bank of France.

We assume that there is the possibility that if we make such formal application and they approve of it and authorize it, they will immediately make announcement of this action and this you will, of course, consider. Personally, I feel that as the newspapers published within a day or two after the Bank of England matter came out, a cable apparently originating in Paris that the Bank of France would enter into the same relations with the New York Bank presumably as the Bank of England, since Benjamin Strong, Governor of the Federal reserve bank, was in Paris last spring making preliminary arrangements looking toward such reciprocal relations; the announcement by our Reserve Board that they had authorized this would have no effect other than a favorable one at the present time. We shall await your telegram, however, before making this formal application.

Governor Rhoads came over to-day and lunched with Curtis, Kenzel and myself, at which time we discussed the sale of the 3 per cent foreign bonds. About \$6,000,000. will be offered by the reserve banks and I enclose copy of a letter which we are proposing to send to possible purchasers, it being understood that each reserve

bank will be advised of this action and will be requested to send a similar letter to any parties in their district who they think would be interested in such purchase. In view of the announcement made in the newspapers that a government bond issue was to be expected soon, we may not have very strenuous bidding.

So far as we can learn unofficially, it is thought that the government may put out some 3 % one year notes temporarily to tide them over the first of July, after which they will be in better position to determine the need of a bond issue.

Our new vault is practically completed, just a few finishing touches being put on this week and on Saturday we hope to move into it. This will be a great saving of time, especially for the officers.

Call money is $1\frac{3}{4}$ % to-day and there are indications of very easy money for a period. We are not securing any acceptances of any amount as the open market has absorbed practically all that are being offered. I assume that it would be well for us to maintain our rates at least for two or three weeks longer until we can see more clearly the trend of things, and meanwhile aid in the open market development.

M. de Neuflyze called to-day and we informed him that we had received a letter from you stating that you had received a cable from M. Pallain to the effect that he had answered your letter and same was coming forward by the next mail, that such letter had not arrived, but we understood that negotiations looking toward reciprocal relations were thus being carried on and that from the cable - grams exchanged we thought there was complete understanding between

1/11/17.

M. Pallain and Governor Strong and that we anticipated a favorable result of such negotiations.

M. de Neuflyze stated that he would probably sail soon but did not give a definite date and we told him that if he called before sailing, we might be able to give him further information, but we could assure him that it would be our sincere hope and belief that arrangements entirely satisfactory to both institutions would be concluded. I assume that you will ascertain from M. Pallain the proper status of M. de Neuflyze.

With kind personal regards and best wishes, I remain,

Very sincerely yours,



Deputy Governor.

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

RHT/VCM

*Bond circular not yet received
from the printer. Will send
to-morrow.*

VCM

FEDERAL RESERVE BANK
OF NEW YORK

R.A.H.

JAN 19 1917

January 13th, 1917.

My dear Governor:

Enclosed, I hand you copy of a letter received from Mr. Meredith, President of the Bank of Montreal. I shall be glad to have your comment upon it and advice as to our action.

Messrs. Woodward, Jay, Curtis and myself are inviting Messrs. Vanderlip, McGarrah, Wiggin, Baker and Alexander to a luncheon on next Wednesday to meet Messrs. Harding and Delano.

Mr. Woodward gave us an account of the meeting of our Committee with the Federal Reserve Board at which Secretary McAdoo presided. As soon as Mr. Towne began speaking, the presiding officer suggested that it would be necessary to have an official stenographer at the conference and he then proceeded to set forth his views as to the Federal Reserve Board being a public body and there were no individual rights; that the Board was subject to investigation and bound to make public their actions for the benefit of the great American public; that the actions of the Board were not subject to review or criticism, etc. etc. Audience seemed uneasy and restless. Mr. Towne proceeded with the statement of the position of this bank and Mr. Woodward during the discussion injected the inquiry as to whether this was a meeting looking toward cooperation or one of investigation.

Mr. Towne pointed out that the Directors of the bank were acting at considerable sacrifice to themselves and it was necessary to have harmony in the relations between them and the Federal Reserve Board. Mr. Woodward wanted to know, whether in future it would be advisable in view of the attitude of the presiding officer, for the Federal Reserve Bank of New York to consider in matters requiring secrecy and confidence that they could be transmitted to the Federal Reserve Board before it was time to announce them publicly, or whether they would be able to feel that matters submitted to the Board would be treated in confidence. No answer advanced. It was the general impression of the Committee that Mr. Towne presented the subject very well and five members at least of the Board were in favor of developing proper relations with the New York Bank and assurance was given to that end.

Apparently, it was a very interesting conference and lasted for two hours, probably resulting in a betterment of conditions, whatever the stenographer's record may show.

I hope that matters are moving along smoothly with you and shall hope to write you more fully to-morrow.

With kind regards, I am,

Very sincerely yours,



Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

D.A.H.

JAN 19 1917 January 15th, 1917.

My dear Governor:

We were all very much delighted to receive a call from Mr. George Roberts who came in this morning to report his visit with you, especially since he was able to report that you were apparently in such good health and vigor. Had he not been informed that you had been ill, he would not have known it from your actions and appearance, all of which is most encouraging.

I anticipate having a talk with Messrs. Woodward and Peabody this week as to permanently filling the position I am occupying temporarily and I shall be glad to have you advise me your own views as to what date you think we should work to. Personally, I should be glad to be relieved not later than around the first of May, provided satisfactory arrangements can be made for filling my place by that time. I have thought possibly you would be able to return to New York for a visit in May and could then discuss with the new occupant of the position plans, etc. before you go abroad should it be thought advisable for you to do so.

You must have enjoyed having Mr. Roberts with you and giving you opportunity to discuss many matters.

I gave Mr. Kent the copy of your letter and he reported Saturday afternoon that being unexpectedly absorbed with another matter, he would not be able to report on the letter until to-day, Monday, and I assume that it will be returned to-day.

We had a call on Saturday from ex-Senator Burton who has just been elected President of the Merchants National Bank, the specific motive for his visit being to pay off a note rediscounted with us a few days for a little less than four millions.

We received a letter this morning from the Reserve Board approving payment of the emergency salaries except they exempted the Federal Reserve Agent from participation in this payment. They approved of all the salary advances recommended including that of Mr. Curtis, but the approval in Mr. Curtis' case was based on the condition that he no longer receive a salary as Secretary of the Governors Conferences. They state further in this connection that should a charge against the other reserve banks be justified by reason of the time given by an official of the New York Bank to their work, the bank itself and not the individual should receive the payment.

Mr. Curtis is in Washington to-day attending a meeting of the Bureau of Research but will return to-morrow morning.

I am enclosing copy of a letter which we are sending Mr. Calkins, Deputy Governor at San Francisco, which I would be glad to have you look over and if you think our position not sound please advise us. I conveyed to Mr. Kenzel before he wrote the letter my own views that insofar as we could we should accomodate the Federal Reserve Bank of San Francisco because conditions there are somewhat different from those in our district.

By the way, I heard through a friend of mine in New York who is close to Governor Kains, that he has had quite a serious time with ulcers of the stomach and that while he has not had an operation he has been very seriously ill, but is now reported improving rapidly.

1/15/17.

I learn from Mr. Curtis that inadvertently I told you the officers were authorized by the Directors to make application to negotiate with the Bank of France; what I should have said was that they were authorized to make formal application to appoint the Bank of France as our agent and correspondent in France. This we have not done yet and will hold it in abeyance until I am advised by you whether we shall make this application now while negotiations are pending or wait until we have concluded everything and then file our formal application and advise them at that time as to details.

Very sincerely yours,



Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK

D.A. Fr. OF NEW YORK

JAN 25 1917

January 16th, 1917.

My dear Governor:

These are exceedingly busy days for us but if we are all permitted to keep at work we can handle things very nicely.

We had our Directors meeting to-day and elected Mr. Morgan a member of the Advisory Council for 1917 and Mr. Jay and I have just returned from his office, having notified him of his appointment and election and he seemed very glad to serve. Said he was deeply interested in the Reserve System, etc. I told him that our new vaults were now completed and that they were at his service in case he should desire to store some gold as they have done before.

I will try and write you more fully about the acceptance rates to-morrow but this week the \$50,000,000 French Industrial Credit acceptances will be on the market and we are inclined to hold a little above the market for a few days longer when we shall undoubtedly place our rates more in accord with the market and purchase more acceptances.

I am enclosing a sample report which Washington sends us now each day giving the renewal credits held in the System.

With kind regards, I remain,

Sincerely yours,



Deputy Governor.

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

POSTAL TELEGRAPH-CABLE COMPANY



NIGHT LETTERGRAM

THE POSTAL TELEGRAPH-CABLE COMPANY (INCORPORATED) TRANSMITS AND DELIVERS THIS NIGHT LETTERGRAM SUBJECT TO THE TERMS AND CONDITIONS PRINTED ON THE BACK OF THIS BLANK.

RECEIVED AT
TELEPHONE MAIN 4506

DELIVERY NO.

648

INDEPENDENT COMPETITIVE PROGRESSIVE

4-23 NY MG

163 NL

224AM Jan 16

Ob New York NY jan 15 17

Benjamin Strong

4100 Montview Boulevard Denver Colo

Kent makes following suggestions regarding your letter stop/ paragraph seven, section B .If we should order gold earmarked at seventy seven three quarters when our correspondent was obliged to pay say seventy eight for gold in times of active bidding, it might occasion him loss. Stop, Kent has no suggestion that will meet situation but thought possibility should be understood on both sides. Stop. Page four, section A, line two, he queries whether word "Less" should not read "Plus". Stop .

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 NIGHT LETTERGRAM SUBJECT TO THE FOLLOWING TERMS AND CONDITIONS:

The Company will receive, not later than midnight, NIGHT LETTERGRAMS, written in plain English, to be transmitted only for delivery on the morning of the next ensuing business day, at rates still lower than its standard night message rate, as follows:
The standard day rate for a ten-word day message shall be charged for the transmission of a NIGHT LETTERGRAM, containing fifty words or less, and one-fifth of the standard day rate for a ten-word day message shall be charged for each additional ten words or less in such NIGHT LETTERGRAM.

To guard against mistakes or delays, the sender of a message should order it REPEATED; that is, telegraphed back to the originating office for comparison. For this, one-half the unrepeated message rate is charged in addition. Unless otherwise indicated on its face, THIS IS AN UNREPEATED MESSAGE AND PAID FOR AS SUCH, in consideration whereof it is agreed between the sender of the message and this Company as follows:

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 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 message, whether caused by the negligence of its servants or otherwise, beyond fifty times the REPEATED message rate, at which amount this message, if sent as a REPEATED message, is hereby valued, unless a greater value is stated in writing hereon at the time the message 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 message 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. This Company shall not be liable for damages or statutory penalties in any case where the claim is not presented in writing within thirty days after the message is filed with the Company for transmission.
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CLARENCE H. MACKAY, PRESIDENT.
CHARLES C. ADAMS, VICE-PRESIDENT. EDWARD REYNOLDS, VICE-PRES. AND GENERAL MANAGER. CHARLES P. BRUCH, VICE-PRESIDENT.

THE FASTEST TELEGRAPH SERVICE IN THE WORLD

POSTAL TELEGRAPH-CABLE COMPANY

NIGHT LETTERGRAM



THE POSTAL TELEGRAPH-CABLE COMPANY (INCORPORATED) TRANSMITS AND DELIVERS THIS NIGHT LETTERGRAM SUBJECT TO THE TERMS AND CONDITIONS PRINTED ON THE BACK OF THIS SLIP.

920-17th St., ~~RECEIVED~~ ~~Primmer Bldg.~~
TELEPHONE MAIN 4500

DELIVERY No.

648

INDEPENDENT COMPETITIVE PROGRESSIVE

4-622

Ben Strong

Denver Colo

23 NY Mc Sheet 2-

Same section he queries whether if correspondent required us to earmark large quantity bars which it later released to us we might not under agreement have to absorb assay office charge. Stop. Paragraph fifteen he suggests adding at end following words

✓ "and should it be possible to do so." Stop. Thinks otherwise we indicate willingness to do something which may be impossible. Stop. Please instruct which if any of these points you wish dealt with either in original letter or in supplementary letter

R H Treman

POSTAL TELEGRAPH-COMMERCIAL CABLES



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3. The Company is hereby made the agent of the sender, without liability, to forward this message over the lines of any other Company when necessary to reach its destination.

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CLARENCE H. MACKAY, PRESIDENT.

CHARLES C. ADAMS,
VICE-PRESIDENT.

EDWARD REYNOLDS, VICE-PREST. AND GENERAL MANAGER.

CHARLES P. BRUCH,
VICE-PRESIDENT.

THE FASTEST TELEGRAPH SERVICE IN THE WORLD



NIGHT LETTERGRAM

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COUNTER NUMBER TIME FILED CHECK

M.

INDEPENDENT COMPETITIVE PROGRESSIVE

SEND the following NIGHT LETTERGRAM, subject to the terms on back hereof, which are hereby agreed to.

3-518

January 15th, 1917.

Benjamin Strong,
4100 Montview Boulevard,
Denver, Colo.

Kent makes following suggestions regarding your letter. Stop. Paragraph seven, Section B. If we should order gold earmarked at seventy seven three quarters when our correspondent was obliged to pay say seventy eight for gold in times of active bidding, it might occasion him loss. Stop. Kent has no suggestion that will meet situation but thought possibility should be understood on both sides. Stop. Page four, section A, line two, he queries whether word "less" should not read "plus". Stop. Same section, he queries whether if correspondent required us to earmark large quantity bars which it later released to us we might not under agreement have to absorb Assay office charge. Stop. Paragraph fifteen, he suggests adding at end following words, "and should it be possible to do so." Stop. Thinks otherwise we indicate willingness to do something which may be impossible. Stop. Please instruct which if any of these points you wish dealt with either in original letter or in supplementary letter.

R. H. Treman.

PJ/VCM
Charge Federal Reserve Bank,
 120 Broadway,
 New York City.

POSTAL TELEGRAPH-CABLE COMPANY IN CONNECTION WITH THE COMMERCIAL CABLE COMPANY



[3 AND 4]

THE GREATEST TELEGRAPH AND CABLE SYSTEM IN THE WORLD.

EXTENDS OVER TWO-THIRDS OF THE WAY AROUND THE EARTH.

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CLARENCE H. MACKAY, PRESIDENT.
EDWARD REYNOLDS, VICE-PREST. AND GENERAL MANAGER.

CHARLES P. BRUCH, VICE-PRESIDENT.

FEDERAL RESERVE BANK
OF NEW YORK

R.A. Fr.

JAN 25 1917

January 17th, 1917.

My dear Governor:

At our Board meeting yesterday, the special committee appointed to visit Washington reported the result of their visit and I asked Mr. Peabody if he would not write you in detail so that you might have his impressions at first hand, since he remained two days longer than the other members of the committee and had some personal interviews.

The discount rates remain unchanged. In discussing acceptance rates with Mr. Woodward and afterward with Governor Aiken by telephone, they agreed that it would be wise to continue for a few days longer rates which are, as you state, higher than the outside market. This week, however, the new French Industrial Credit acceptances will be on the market and as they are renewal credits, it seemed wise to wait a few days and then we will undoubtedly bring our rates down nearer where they should be, probably $1/8$ or $1/4$ less, as ruling rates now seem to be about $2 \frac{1}{2}$ to $2 \frac{3}{4}$ instead of 3 to $3 \frac{1}{4}$.

The matter of negotiations with foreign banks was referred to the Governor of the bank and the Executive Committee and we will try to keep in touch with you. We had a suggestion as to making an arrangement with the Banco de la Nacion, Buenos Ayres. Mr. Jay and I felt it would be wise to ask Mr. Warburg

Jan. 17, 1917.

to suggest the individual whom it would be best to address and make any suggestions as to our correspondence to this particular bank, he having visited it. We will submit the matter to you, of course, before sending anything forward.

We have your telegram as to suggestions made by Mr. Kent and I expect Mr. Curtis to go over the detail matters with the Assay Office and you can be sure that we will lose no time unnecessarily in the Bank of England matter.

Regarding the collection of checks on non member banks, it was thought wise to hold the matter of collecting on non member banks through express companies for a short time until the fate of the amendments in Congress might be determined.


I invited the Directors to inspect the new vaults which they did and apparently seemed highly pleased. I wish you could see them yourself as, of course, you will later.

To-day, we are to have Governor Harding and Mr. Delano with us and expect to give up practically the whole day to them, having them for luncheon at the Bankers Club with Messrs. Hepburn, Martindale, Alexander, McGarrah, Thorne, Clarke and possibly one or two others. Mr. Wiggin was away and Mr. Vanderlip accepted but last night was subpoenaed to go to Washington with Mr. Morgan and others in the "leak" matter.

I will take up the other matters as soon as I can reach them.

With kind regards, I remain,

Very sincerely yours,



Deputy Governor.

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

FEDERAL RESERVE BANK
OF NEW YORK

January 17th, 1917.

My dear Governor:

With further reference to negotiations with the Banco de la Nacion, Buenos Ayres, I enclose copy of letter I wrote to Mr. Warburg together with his reply outlining a letter. It seems to me, and Mr. Curtis and Mr. Jay concur, that all this correspondence should be sent in your name and with your knowledge. I should frame the letter I think somewhat differently from Mr. Warburg's which I assume is in the nature of a suggestion only. I suppose you will write a letter, sending it to us to forward and keeping a copy for your own files. I assume then that we should send a copy of this letter to Mr. Warburg as he suggests for translation and his additional personal letter.

I expect to write you to-morrow the result of the luncheon to-day but cannot reach such letter now.

Kindly return Mr. Warburg's letter for our files.

With kind regards, I remain,

Very sincerely yours,



Deputy Governor.

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

RHT/VCM

W. U.
FEDERAL RESERVE BANK
OF NEW YORK

JFC/CEP

New York, January 18, 1917.
(TO BE MAILED)

Benjamin Strong,
4100 Montview Boulevard,

CONFIRMATION OF TELEGRAM

Suggest following changes in your letter to England Page three line five change British to English Paragraph E change it was to they were Last
 We have today telegraphed you as follows: the Bank of England quote to quote the
 Bank of England and charge its account quote Page four line two change
 less to plus Paragraph B change American mint to United States Paragraph
 D change it was to they were At end of sentence add the following quote
 excluding Assay Office charge above mentioned which will be borne by the
 Bank of England stop If gold bars are returned they may be subject to a
 further Assay Office charge for remelting amounting to one dollar per
 thousand ounces which is the existing charge The Federal Reserve Bank of
 New York however will endeavor to have this charge abrogated by the Assay
 Office and if successful will immediately notify the Bank of England quote
 Paragraph nine next to last line change dealt with to undertaken Page six
 line seven after the word bills insert quote bearing the names of English
 drawers or indorsers quote Add at end of paragraph the following quote
 should it be possible to do so quote Paragraph seventeen omit whole para-
 graph stop Suggest you rewrite letter making such changes as you desire.

R. H. TREMAN

Chge. Fed. Res. Bk.,
Equitable Bldg.

WESTERN UNION TELEGRAM



NEWCOMB, CARLTON PRESIDENT

	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.

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 'GX' BRANCH OFFICE, 2307 E. COLFAX,
TELEPHONE YORK 2545.
29DRH 214 BLUE

per copy

Q NEWYORK 415P JAN 18 1917

BENJAMIN STRONG

329G 4100 MONTVIEW BLVD DENVER COLO

SUGGEST FOLLOWING CHANGES IN YOUR LETTER TO ENGLAND PAGE THREE
 LINE FIVE CHANGE BRITISH TO ENGLISH | PARAGRAPH E CHANGE IT
 WAS TO THEY WERE | LAST LINE CHANGE QUOTE FOR ACCOUNT
 OF THE BANK OF ENGLAND QUOTE TO QUOTE THE BANK
 OF ENGLAND AND CHARGE ITS ACCOUNT | QUOTE PAGE FOUR LINE
 TWO CHANGE LESS TO PLUS | PARAGRAPH B CHANGE AMERICAN MINT
 TO UNITED-STATES | PARAGRAPH D CHANGE IT WAS TO THEY
 WERE AT END OF SENTENCE ADD THE FOLLOWING | QUOTE EXCLUDING
 ASSAY OFFICE CHARGE ABOVE MENTIONED WHICH WILL BE BORNE BY

SYMBOL	
D	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

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RECEIVED AT

EX BRANCH OFFICE, 2307 E. GOLDFAR,
TELEPHONE YORK 2545.

29D RH 214 BLUE ---2ND PAGE---

329ex

THE BANK OF ENGLAND STOP IF GOLD BARS ARE RETURNED
THEY MAY BE SUBJECT TO A FURTHER ASSAY OFFICE CHARGE
FOR REMELTING AMOUNTING TO ONE DOLLAR PER THOUSAND OUNCES WHICH
IS THE EXISTING CHARGE. THE FEDERAL RESERVE BANK OF NEWYORK
HOWEVER WILL ENDEAVOR TO HAVE THIS CHARGE ABROGATED BY THE
ASSAY OFFICE AND IF SUCCESSFUL WILL IMMEDIATELY NOTIFY THE BANK
OF ENGLAND | QUOTE PARAGRAPH NINE NEXT TO LAST LINE CHANGE
DEALT WITH TO UNDERTAKEN | PAGE SIX LINE SEVEN AFTER THE
WORD BILLS IN-SERT QUOTE BEARING THE NAMES OF ENGLISH DRAWERS
OR INDORSERS QUOTE ADD AT END OF PARAGRAPH THE FOLLOWING
QUOTE SHOULD IT BE POSSIBLE TO DO SO | QUOTE PARAGRAPH
SEVENTEEN OMIT WHOLE PARAGRAPH STOP SUGGEST YOU REWRITE LETTER MAKING

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

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WESTERN UNION TELEGRAM



NEWCOMB CARLTON PRESIDENT

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

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RECEIVED AT **CX** BRANCH OFFICE, 2307 E. COLFAX,

29D RH 214 BLUE ~~294D~~ PAGE ~~---~~ 2545. 829 CX

SUCH CHANGES AS YOU DESIRE

R H TREMAN

417PM

FEDERAL RESERVE BANK
OF NEW YORK

January 19th, 1917.

Dear Governor Strong:

R.A. Jr.
JAN 25 1917

Answering yours of January 9th, please do not worry about the difficulties that arose in connection with our Washington relations. When Governor Hamlin was here on Wednesday he went into detail as to this matter, the pressure that was brought to bear upon him when he was in bed with the grippe, requiring him to get up and go to the office, that he had left certain matters to Dr. Willis for attention and they had not been taken care of as they should have been and that his illness and his condition because of his illness were really the contributing causes of the unpleasant situation which developed. He was very nice about the whole matter and I think his visit here taken with the visit of our Committee to Washington have very greatly improved the situation.

Governor Harding assured me that hereafter so long as he was Governor, all matters pertaining to the operation of the bank and its administration along those lines would be sent direct to the Governor and such matters as belonged peculiarly to the Federal Reserve Agent would be sent to him and where there was a question between the two, they would forward it to the bank so that it would reach the proper one or would send a copy to one of the two officers and a carbon to the other, which would seem to be a good working basis.

Personally, I did feel hurt at the letter he wrote in answer to mine, as it did not seem to me that anything in my letter could be interpreted as requiring the reply which I received. I, of course, have felt the responsibilities of this position, and the administration of its duties was made more difficult because of the absence of Mr. Jay for practically three months between his vacation and his illness and his complete absorption in the Clayton Act matters for most of the remaining time up to January 1st. However, matters seem to be running along smoothly and my greatest embarrassment is the feeling of my limitations.

I understand that Mr. Woodward has been writing you about the permanent organization, that is, some one to act as Deputy Governor to supplement your work and to take my place. I merely want to reiterate my position that I am willing to step out whenever the directors and you feel that it is advisable for me to do so. If it should be your desire to have my successor accompany you to Europe in May or June in case that should be decided upon and you should think it advisable for me to stay here until immediately after his return, or on the other hand, should it seem best to you to have my successor come earlier to be here for a time before going to Europe, to familiarize himself with the details of this work, I am willing to stay for a while with him to help him get hold of things or I will withdraw before he comes, as may seem best. My only desire is that I shall not be expected to remain all Summer.

Now, my dear Governor, be perfectly frank and tell me when the time arrives for a decision on these matters just what

you want and feel sure that I will do my best to carry out your desires. Most important of all is to have you arrange these matters so that they will best serve the purpose of bringing you back to this bank in the best shape possible to continue the great work you have done and are to do. In your letter of January 10th you state "at no time have I felt the slightest uneasiness regarding the affairs of the bank so long as you were there" and this did me, I assure you, a vast amount of good because I have personally been uneasy many times about my inability to contribute more to the successful operation of the bank. So long as I stay, I shall do my best and shall be very glad if the bank does not suffer by my connection with it.

Mr. Palmer and Mr. Starek were evidently quite surprised at the suggestion in regard to the reorganization, but Mr. Palmer called at the bank yesterday and I had quite a long talk with him and I think he now understands the matter and things will be all right as far as he is concerned.

Regarding acceptances, Mr. Kenzel is writing you fully to-day I think, but there seems to be general agreement that it would be wise to try for awhile having our rates above the market and results have shown I think that there is a market for acceptances when the rates are satisfactory. Governor Harding suggested that in view of the proposed British loan of \$250,000,000, the French Industrial Credit of \$50,000,000 coming out now and in addition the \$100,000,000 of 3 per cent United States notes which the Secretary of the Treasury will probably bring out soon, we should run quite liquid. It is possible that the Board may have in mind

1/19/17.

that the Federal reserve banks should absorb a good proportion of the 3 % notes, but he did not so indicate.

Regarding the Bank of France negotiations, as I wrote you, we have made no move officially to take up the matter with the Board and our disposition is to await your advice in regard to this matter. I was sorry that I gave you the wrong impression in regard to our making application to "negotiate". That was not the intention, but it was to ask for authorization to appoint the Bank of France our agent and enter into reciprocal banking relations with them.

Speaking of Mr. Locke's comment, you wondered if these matters had resulted in some criticism of your affairs at the bank, but it has not, at least, I have not heard the slightest intimation of that. The Board seemed to be unanimous as to the position they should take and they certainly supported me to the limit so I think you need give no further thought but that this "stir-up" will result beneficially.

You ask in your letter of January 10th how the different members of the Board lined up on the Bank of England question. If you mean the New York Board of Directors, they have all approved of the general proposition and have left to the Executive Committee the detail. As soon as we receive your letter I shall probably call the Board together for final approval, or the Executive Committee can take the responsibility I think of going ahead.

1/19/17.

If you mean the Board in Washington, Mr. Peabody told me that he would write you in detail and after reading his letter if there are any questions unanswered, advise me and I will endeavor to see that you have more definite information.

Your last two letters of January 11th and 15th indicate some apprehension in regard to our position on acceptance rates. Please understand that before making any change we endeavor to secure the judgement of some of the best posted men and if the opinions seem to be quite unanimous, we have moved along these lines. It is somewhat difficult to always know what is the best course to pursue as with the suggestions which emanate from Washington as to being cautious and conservative especially as to renewal credits and the other view that we should do all we can to develop the market, there seems to be a little conflict occasionally, but taken as a whole, I am inclined to think we have moved along without serious criticism. We shall probably enter the market next week at lower rates again and hope that our procedure will meet with your approval.

I hope to go home to-night as I have some important matters there to-morrow to look after, then leave to-morrow night for Philadelphia to spend a few hours with my son at Pottstown, going on with Messrs. Aiken and Rhoads Sunday night to Washington.

We had a long meeting to-day, Messrs. Jay, Curtis, Sailer, Hendricks and myself, both before and at luncheon, discussing Governor Seay's plan as to drafts on Federal reserve banks being made available at par and have framed up the matter I think quite definitely. We will probably telegraph you on one or two points

1/19/17.

because from your letter on Seay's argument, it seems that you would not approve of our guaranteeing to other Federal reserve banks the payment of drafts of our member banks up to \$500 each in case the other reserve banks should guarantee us in the payment of their member bank drafts in like amounts. We, of course, do not know just how things will shape up but want to be prepared to commit the New York bank only along lines of sound banking practices.

With warmest regards, I remain,

Very sincerely yours,

R. N. Treman
Treman

Deputy Governor.

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

RHT/VCM

Dictated by Mr. Treman but
signed in his absence.

FEDERAL RESERVE BANK
OF NEW YORK

R.A.H. January 19th, 1917.

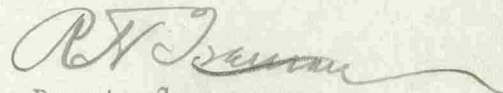
JAN 25 1917

Dear Governor Strong:

I beg to advise you that the steamer "Finland" sails Thursday next for England and we shall hope that your letter reaches us in time to get it off on that steamer.

Yesterday, I spoke before the National Wholesale Dry Goods Association members at their convention at the Waldorf on Trade Acceptances. An informal discussion developed showing that while a number of firms represented were giving this consideration, there is, of course, reluctance about changing an old established custom even if it is not quite as economical and sound. If we can do the missionary work now it seems as though the results might show later when a tighter credit situation develops.

Sincerely yours,


Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

B.A. Jr.

JAN 25 1917

January 19th, 1917.

Dear Governor Strong:

I have been a very poor correspondent for you for the last week or ten days, but Mrs. Treman has been with me and we have had engagements for practically every evening and the days have been very full with our Directors meeting, the visit of Governor Harding and Mr. Delano, but I shall hope to be more faithful hereafter.

I have received your communications enclosing copies of your memoranda in re proposed amendments, etc., and also copy of your memorandum to Mr. Warburg.

I note that you will not hesitate to send for Mrs. McLaren if you find that you need her. In judging of the work you are doing by the amount of your correspondence to me, all of which has been necessary and greatly appreciated by us, it must have been a burden upon you and I want to again urge upon you the necessity of your conserving all of your surplus strength and hold yourself strictly to a regular régime, all of which must be "within the limits of weariness." Remember that it is not your own interests and those close to you but the great responsibility you have to fit yourself for continued service to the country in the matter of the development of the Federal Reserve System, the problems of which seem to be constantly arising and of about as much importance as those in the earlier stages.

FEDERAL RESERVE BANK
OF NEW YORK

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1/19/17.

We will not send you any combination to the vaults. Governor Harding and Mr. Delano were impressed most favorably I think not only by our vault, but by the work we were doing in our Transit Department.

As to the inequality of the present basis of distribution based on the earnings of the Chicago bank, would state, first, that I learned confidentially that the Board is fully cognizant of the way the Chicago bank is operated in re these matters and, further, that Governor Seay's Committee is now at work on a new apportionment based on the net deficits or earnings of the reserve banks up to January 1, 1917, and I personally believe that they desire to treat the New York bank equitably.

You have been advised of the salary changes and the reasons for conditions as to Mr. Curtis' salary. The officers seem to be very appreciative of what was done for them and I think in one or two cases they were genuinely and most pleasantly surprised.

George Allen, of the American Bankers Association brought over copies of his questionnaire which he gave to Governor Hamlin and Mr. Delano while here, and I will endeavor to secure one to enclose with this letter, but if not will send you a list of the questions as I understand he has them framed up.

I have your telegram this morning approving suggestions which were raised in the Assay Office and Mr. Woodward has made one or two suggestions which we are telegraphing you to-day so that you may incorporate them in your letter which you will send to us with copies for our files for immediate forwarding to the Bank of England.

1/19/17.


Mr. Jay has written you in regard to the luncheon so I will not repeat.

I have your favor in regard to Governor Seay's memoranda on making Federal reserve bank drafts available at par at all banks. We are to have a meeting this morning of Messrs. Sailer, Hendricks, Curtis, Jay and myself to agree upon the position we will stand for on this matter, and I think I shall take Curtis and Hendricks down to the meeting on Monday at Washington, when we expect to consider this matter in session with the Board after a preliminary meeting of the Governors Committee.

Mr. Hendricks telegraphed Calkins at San Francisco in regard to our telegraphic transfers to his bank.

With kind regards,

Sincerely yours,



Deputy Governor.

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

RHT/VCM

Encs.

P. S. After consultation with Mr. Curtis and after talking with Mr. Aiken over the telephone, it was decided that only Mr. Hendricks would go to Washington on Monday.

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT.

RECEIVED AT MAIN OFFICE

ETTING & CRANMER BUILDING
1820 17TH STREET
DENVER, COLO.
TELEPHONE: MAIN 4600

TELEGRAM

DELIVERY NO.

358

The Postal Telegraph-Cable Company (Incorporated) transmits and delivers this message subject to the terms and conditions printed on the back of this blank.

16D-29018

DESIGN PATENT No. 40628

JAN 25 1917

2/2 1308

62cbm 28 1010a

cb Newyork jan 24 1917

benjamin Strong **asq**

TELEPHONED
To *Mrs Andrews*
By *RC*
Time *1020a*

4100 Montview Boulevard

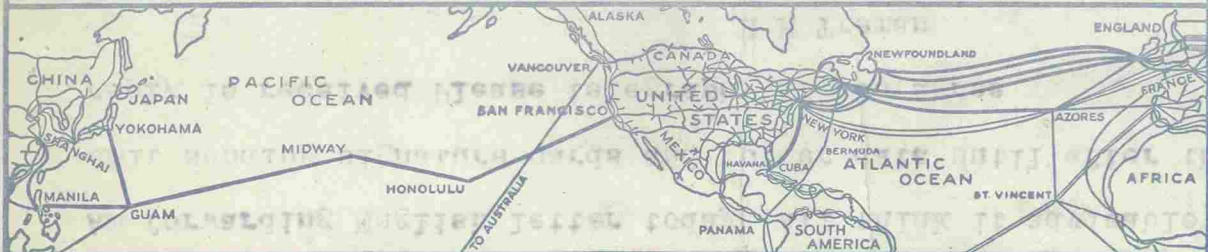
Denver Col.

Am forwarding English letter today All think it advisable to
omit sending signature cards and other data until after their
reply is received Please telegraph if you agree

R H Treman

POSTAL TELEGRAPH-COMMERCIAL CABLES

OPERATOR'S NOTATIONS,
TIME SENT, ETC.



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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, 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.
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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.
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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.
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8. NO EMPLOYEE OF THIS COMPANY IS AUTHORIZED TO VARY THE FOREGOING.

CHARLES ADAMS,
VICE-PRESIDENT.

CLARENCE H. MACKAY, PRESIDENT.
EDWARD REYNOLDS, VICE-PREST. AND GENERAL MANAGER.

CHARLES P. BRUCH,
VICE-PRESIDENT.

FASTEST TELEGRAPH SERVICE IN THE WORLD

me
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FEDERAL RESERVE BANK
OF NEW YORK

R.A.H.

FEB 2 1917

January 25th, 1917.

Dear Governor Strong:

We had a meeting of our Committee on Purchase and Sale of Bonds yesterday at which were present Messrs. Rhoads, McDougal and myself of the Committee, and Governors Aiken and Fancher by invitation.

We had asked for sealed bids on U. S. conversion 3s in amounts of from five to seven millions, the exact amount being indefinite because some of the reserve banks attached conditions to their offerings, based on the price at which they could be sold. We received quite a number of bids and sold all the bonds. The bids were as follows:

\$5,000,000	First National Bank of Chicago,	101.665
\$1,000,000	Merchants Loan & Trust Co., "	101.55
\$4,000,000	National City Investment Co. and Harvey Fisk & Sons,	101.1876

The Committee thought it not advisable to give out the names of the buyers or the prices paid, but to announce simply that they had sold the bonds. After receiving the bids and agreeing that they would not accept any bids under $101\frac{1}{2}$ and interest, they accepted the bid of the First National Bank and Merchants Loan & Trust Company, etc. bids, leaving nearly \$2,000,000 of bonds still unsold. We offered them to the First National at their

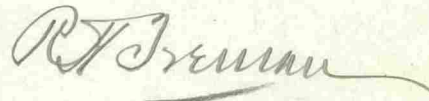
price and they declined them so then we fixed a price to be sold to any broker, at 101 3/4 and within an hour or two Harvey Fisk & Sons agreed to take the entire balance at 101 3/4, thus giving us an average of about 101 2/3 and interest for our bonds. We felt quite satisfied with the result of the sale which indicated, first, a demand, and second, good prices in this present market.

It might be advisable to have some of our one year notes converted into bonds and sell these also if the Secretary of the Treasury should be willing.

In Washington, we heard that the Secretary of the Treasury now contemplates issuing between \$100,000,000 and \$250,000,000 of 3 % one year notes, issuing them at different periods between now and next July to keep the U. S. Treasury in funds as needed. I should be glad to have your views as to what extent you would think it advisable for us to take these notes. It would seem that the plan to market the Panama bonds or other bonds at the present time has been abandoned in favor of the one year notes, thus carrying over the bond issue until after the income returns of next July and into the Government year of 1917-18.

With kind regards, I remain,

Very sincerely yours,



Deputy Governor.

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

RHT/VCM

216
FEDERAL RESERVE BANK
OF NEW YORK

January 25th, 1917.

Dear Governor Strong:

I returned from Washington Tuesday night and will write you more fully as to the action taken there under separate cover.

We have received yours of January 16th enclosing copy of your letter to Mr. Kent and I am so advising him.

Your second letter of January 16th enclosing copy of our night letter for comparison is also received. I would state that Mr. Curtis has handled this matter and has had the details checked up by Cann and others. Yesterday we sent forward by mail the letter to the Governors of the Bank of England, marked "For attention of Lord Cunliffe". We had Mr. Roberts check the matter over as you suggested and he approved.

Yesterday, Governors Aiken, McDougal, Fancher and Rhoads stopped at the New York bank on their return from Washington and we showed them (except Mr. McDougal who was obliged to leave at 2:30), the copy of your letter in re this foreign matter and they approved of same and will treat it confidentially. We thought it would be advisable not to send any further communications to the other reserve banks until we have received a reply from abroad after which we can take such steps as may seem best in advising the different reserve banks.

As relations with other banks depend somewhat upon our arrangements with the Bank of England, I assume that we should

defer taking up the matter with the Bank of the Netherlands, the Bank of Spain and others, at least to any further extent than mere general negotiations until the English matter is settled.

I omitted to add above that the Executive Committee of the New York Bank approved of the form of your letter and having same checked up as to details felt justified in forwarding it yesterday.

If you have not heard from Mr. Peabody as to the details of the Washington meeting with our Committee, kindly advise me and I will follow it up. Mr. Curtis will certainly give you the particulars when he sees you as he expects to do early next week.

Regarding our purchasing bills for San Francisco at lower rates than those we were holding, will state that Mr. Calkins understood that this was an exceptional case and done as a matter of accommodation, that we could not continue this practice and that we must either work together or work separately. If we work together, there will be hardships at different times, but taking a year at a time, I believe that the cooperative plan is better than having each individual bank coming into the market and making its own bids. Of course, under the latter plan, the Federal Reserve Bank of New York would be able to hold its own, but I firmly believe it is contrary to the spirit of cooperation which should exist in the operations of the twelve banks.

Regarding the French Industrial Credit, would state that Chicago at a meeting of their Executive Committee on Monday, decided to stand by their original position not to buy any acceptances under this credit, but Governor McDougal was not present at the meeting and I think, judging from his expressions here yesterday, he would be inclined to buy same with the further light he

now has. Atlanta does not wish us to buy any, nor Richmond, but the other banks so far as heard from seem desirous that we should purchase French Industrial Credit acceptances under the same allotment as before.

Governor Seay told me in Washington that his Committee on Apportionments were receiving from each bank new statements of their deficits from the opening of the banks up to January 1, 1917.

I have your favor in reference to our making application to the Federal Reserve Board for permission to appoint the Bank of France as our agent or correspondent but would state that the matter is now slumbering and will continue to sleep until we hear from you with suggestions as to our making another move.

I am having prepared for you an exact copy of the letter as sent to Lord Cunliffe for your files.

With kind regards, as ever, I remain,

Sincerely yours,



Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

D.A. Jr.
FEB 1 1917

January 26th, 1917.

Dear Governor Strong:

I went to Washington Sunday night, meeting Governors Aiken and Rhoads in Philadelphia and we all traveled together discussing more or less the making available of Federal reserve drafts at par and other reserve matters en route. We were joined Monday morning by Governors Fancher, Seay and McDougal, also, Hendricks and McKay were present at all of our conferences.

We were in session from 10:30 Monday morning until 6 P. M., taking Governor Seay's brief for making drafts on the Federal reserve bank immediately available at all other Federal reserve banks. We discussed the matter thoroughly, Governor Seay being the only one in favor of making them immediately available at all other banks, but there seemed to be general agreement that we must provide some machinery in connection with the Reserve System to take the place of drafts on New York which had circulated at par in all parts of the country.

I am enclosing herewith a statement which we prepared and submitted as a report of the Committee of five Governors, to the Reserve Board. They asked some questions and there seemed to be quite a sentiment in the Reserve Board towards making drafts immediately available at all reserve banks but we urged that in this

sensitive financial period and in view of the uncertainty as to actual results of the transferring of remaining bank balances now with correspondents into reserve banks to count as reserve, we should only begin this in a limited way and for that reason we had imposed a limitation of \$10,000 for the amount drawn by each bank and we recommended that at first it only apply to country banks.

We discussed at length a plan to have each member bank in drawing these drafts on its reserve bank to advise its own reserve bank and also the reserve bank of the district at which it was made payable. Mr. Jay favored a plan having the Federal reserve bank on receiving advice from the member bank of drawing of draft, immediately advise the reserve bank at which the draft was made payable, such advice being mailed or wired, according to the amount, but the concensus of opinion seemed to be that it was too cumbersome and that the mail advice would not reach the banks until after the draft had been presented, etc.

The Board stated that they would take the matter under advisement and would decide this week. At one time in the discussion I had a "chill" because so much sentiment seemed to be expressed in favor of making the drafts available at all banks. I took the position with the Governors that we favored the New York Bank being advised by either the member or reserve bank when such drafts were drawn, but if we were to receive such drafts at par without advice the same as we had checks, then we ought to have some limitation as to the amount we would receive at par daily for each member bank, and to begin with, the amount of \$10,000 was decided upon.

We received this morning from Governor Harding notice of the action of the Board taken yesterday, Thursday. Copy of his letter I enclose herewith for your information. Mr. Jay, in conjunction with Mr. Fancher, will work up a proposed form of draft and other forms necessary for further consideration and Mr. Jay and I are to discuss with Mr. Woodward to-day this whole plan for his criticism and suggestions.

One interesting incident in connection with this was that, whereas, at the meeting on Tuesday with the Reserve Board it was stated that the Board would not decide the matter that day but would take it under consideration on Wednesday morning, the New York papers had articles stating that the Board had inaugurated this plan and gave an explanation of what was intended and the way in which it would operate. This surprised the Governors who were in conference in New York in connection with the bond sale, and I telephoned Governor Harding stating that I had seen these notices in the morning paper and asked him if the Board had approved of the Governors' report after we left Tuesday afternoon. He said "no" and added that they had not discussed it since and he did not know from what source this report had been sent out, all of which demonstrates that there should be some method inaugurated by the Reserve Board to prevent "leaks", or some one connected with the Board sending notices of this kind prematurely.

Regarding the daily settlements, the Board seemed to feel that it was desirable to inaugurate daily settlements soon and Hendricks and I stated that the New York bank had no objection to their doing so.

1/26/17.

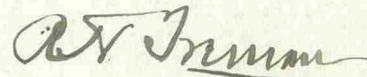
I think we disposed of the Gedney plan for the present and it will probably be left dormant.

If you have any suggestions in connection with this matter after discussion with Mr. Curtis, I shall be glad to hear from you as it will probably be at least a week or two before we have these forms and the proposed circular formulated.

Mr. Tappan of the National City having noticed the newspaper article, called at the bank to know what it meant as he apparently was somewhat disturbed over it.

With kind regards, I remain,

Very sincerely yours,



Deputy Governor.

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

RHT/VCM

Encs.

FEDERAL RESERVE BANK
OF NEW YORK

D.A.H.

FEB 1 1917

January 26th, 1917.

Dear Governor Strong:

Mr. Curtis is leaving this afternoon and will probably be able to give you much of the current news.

Messrs. Fancher and Woodward lunched with Jay and me to-day and we discussed the report of the Governors in re making available at par Federal reserve bank drafts and Mr. Woodward felt that we should have same considered by our Directors at their next meeting on Wednesday, so if you have any suggestions, kindly wire us.

I am sending copy of Governor Harding's letter to the various Governors for their consideration.

In the matter of acceptances, we are buying for San Francisco and will buy for Chicago, or any of the other banks upon their specific instructions as to amounts and rate, leaving it to the Reserve Board to settle with the reserve banks so purchasing whether it is in accordance with their letter of instruction as to general policy. Copy of the letter from the Reserve Board under date of June 19th is enclosed herewith. Here in this bank we are following the policy of keeping out of the market temporarily, becoming more liquid.

1 /26/17.

To-day we purchased \$1,500,000 New York City warrants at 2 5/8, early June maturities, about which time we expect to have higher rates prevailing in connection with the income tax payments. We sold to-day \$250,000 1 year, 3 % U. S. notes, April 1st maturity on a 2 1/4 basis and \$750,000 October 1st maturity, on a 2.45 basis.

I had a very nice letter from Mr. L. Ward Bannister of Denver stating that he had seen you and found you "looking very well indeed", all of which is good news.

We have secured new statements from Goldman, Sachs & Co. and E. Naumberg & Company, both of which show very substantial and satisfactory gains for the past year.

Answering yours of January 19th in re Deputy Governor, our letters have crossed so that you understand by now that if you should desire me to remain until you go to Europe and return not later than July 1st, I would, of course, try and arrange accordingly, but I do not want to stay throughout the entire Summer because I ought to have a good vacation at that time. I assume that Mr. Woodward is keeping in touch with you on this matter.

I hope that you are continuing to feel well and with kindest regards, I remain,

Very sincerely yours,


Deputy Governor.

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

RHT/VCM

Enc.

FEDERAL RESERVE BANK
OF NEW YORK

January 30th, 1917.

Dear Governor Strong:

Greetings to you this morning, and I am very glad to note in yours of January 25th the statement "do not worry about my condition. I am getting along fine."

Yesterday we had a meeting of the Executive Committee of the National Bank Section of the New York State Bankers Association of which Mr. S. G. H. Turner of Elmira is the chairman and those present were Mr. Herzog of Albany, Mr. Irish of Brooklyn, Mr. Alley of Cortland, Mr. Ward of the New York Bank of Commerce, Mr. Smythe of Bronxville, Mr. Weldon of Olean and Mr. Bridges of Liberty. Mr. Jay and I attended their morning session and took luncheon with them at the Bankers Club; we showed them our Transit Department work and the vault, both of which seemed to impress them most favorably. The general impression with them seemed to be that if the amendment as to reserves, that is, relieving the banks of any requirement as to vault reserves, and simply requiring them to keep 6% or 7% with the Federal Reserve Bank, should go through the Congress and become law, it would solve a great many of the troubles of the country banker.

I note that you have visited Robert Masson and also that you have just received a letter from Monsieur Pallain, a copy of which you will send us after it is translated.

Jan. 30, 1917.

Your letter in regard to the Buenos Ayres business came in this morning and I will have it presented to either the Executive Committee or to our Directors at their meeting to-morrow.

We will send a duplicate letter to Lord Cunliffe of the Bank of England as you suggested, by registered mail.

I note your comments as to the State Bank Section questionnaire and am returning the copy of your letter to Mr. Kent.

Regarding the permanent organization, I noted your comments and suggestions and will present them to Mr. Woodward and Mr. Peabody, leaving it to them to report to the Board if they see fit.

Governor Fancher, when he was here last Wednesday stated that he felt that it would be most advisable for some one of the Governors to accompany you to France should you go, because it would be desirable that two in the System should have more or less personal acquaintance and be familiar with the detail. This only indicates that others would share in your viewpoint probably.

So far as your suggestion as to my staying longer is concerned, it seems to me that the decision as to this can be held in abeyance until you know definitely about the one chosen to be the permanent Deputy Governor and you approach more nearly the time when you expect to go abroad. Now that you have indicated your views I can discuss same with the members of our Committee - Woodward and Peabody - and it will give me a better line on what the Board may desire as to my staying longer in this position. Evidently I can plan to remain two or three months longer and will act on this basis, leaving the exact ^{date} to be taken up later.

Regarding your going abroad, Dr. Treman is not quite clear that it is a wise move for you personally to take upon yourself the strain incident to such a trip and the carrying out of your purpose in making it and I hope that before you make your final decision you will seriously consider whether you can not arrange for a working relation between the Bank of France and this bank, leaving the question of details to be worked out later, but not feel that it is absolutely necessary that you should make this trip now. Of course, no one interested in the development of our foreign banking relations would feel but what you are best fitted to do this particular work, but I am approaching the thought of its effect upon you, which I hope you will consider and be perfectly sure about before making your final decision.

The impression here seems to be that call money will rule low for some time to come but that time money will gradually harden. Acceptance rates yesterday were 2 % for February maturities, $2\frac{1}{4}$ to $2\frac{3}{8}$ % for March and $2\frac{1}{4}$ to $2\frac{1}{2}$ % for April and May.

We have purchased about \$1,000,000 of acceptances for the Chicago bank around $2\frac{1}{2}$ % but I have a lurking suspicion that the Board will call down the Chicago and San Francisco banks for making these investments, which suspicion will be verified by the facts sooner or later.

With kindest personal regards, I remain,

Sincerely yours,



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

RHT/VGM

FEDERAL RESERVE BANK
OF NEW YORK

January 31st, 1917.

Dear Governor Strong:

I am in receipt of your favor returning Mr. Warburg's letter of January 15th and note that you did not return the draft or suggestion which Mr. Warburg enclosed with his letter. Would it not be best to have the original draft sent on to us for our files, you retaining a copy for your own use?

Very sincerely yours,



Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

January 31st, 1917.

Dear Governor Strong:


We have received your letter of January 27th containing a translation of the letter of Monsieur Pallain, and also received your telegram containing suggestion as to an answer to the Board's request for copy of cables, etc. I will lay these matters before the Board of Directors of the Bank at their meeting to-day and will advise you later concerning same.

As I understand, you will frame up your reply and discuss same with Mr. Curtis and I will advise you as to any suggestions which our Board may be disposed to make.

I assume that you run over to Colorado Springs for a change of scene and hope that it proves beneficial.

With kind regards, I remain,

Very sincerely yours,



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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

January 31st, 1917.

Dear Governor Strong:

In your letter of January 26th, you suggest caution in rebating penalties for deficient reserves. You understand probably that in the earlier months in which our Collection Department was in operation, we were often delayed in our mail going out until late in the evening, resulting very often in the mail not reaching member banks until the second day. There are other reasons also which led us to feel that we were not justified in imposing penalties on apparent deficient reserves, but in December we began to be more particular and about January 1st we sent another circular letter to all our member banks advising of the law and that we were obliged to penalize for deficient reserves without any fear or favor.

So far as the rebate of the October charge of the Marine Bank of Buffalo is concerned, the matter was thoroughly considered by the officers at their meeting and it was felt as a matter of equity that this particular rebate should be allowed.

I trust this explanation is satisfactory.

Very sincerely yours,



Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

February 1st, 1917.

Dear Governor Strong:

We had a Directors meeting yesterday, all being present except Mr. Starek, who was summoned to Washington but as to any information concerning his resignation we have no knowledge.

After the usual routine business, Mr. Jay read a letter from Governor Harding which had been issued to all reserve banks in re our investment policy and after discussing the present low rates, from 2 to $2\frac{1}{2}$ %, the fact that our total investments were now below \$25,000,000 and that we have some other investments running off very rapidly, the question of any change in policy was referred to the Executive Committee.

To-day's news as to the proposed German submarine blockade created a flurry in Wall Street, at the beginning stocks dropping from 5 to 15 points. The market is more stable now, call money at 2 %; but in the first hour or two of the morning, we purchased \$2,500,000 of bills at 3 to $3\frac{1}{4}$ % and stood ready to purchase more at these rates, but doubt if many will be offered. Would naturally expect the outside rate to advance to about $2\frac{3}{4}$ % possibly. Rates closing about 3 %.

Mr. Sailer submitted a recommendation as to vault control and it was referred to the Executive Committee as was also the question of compensation suggested for employees of the Clearing

House and Subtreasury who had contributed their time and services during our occupancy of their vaults.

I made a report as to the Governors Committee meeting at Washington, stating that Governor Seay's plan had been discussed, that we had been in session nearly all day, most of it on this question and that the report seemed to be the best plan to which unanimous consent could be secured; that we judged from the action of the Reserve Board when we presented the report that were the plan to originate in the Reserve Board it might be more radical. The plan proposed was then discussed at length in a very long meeting resulting in the appointment of the Class A Directors with Messrs. Palmer and Jay added, to consider a report on this matter.

In the afternoon, the Committee invited Messrs. Alexander, Frew, McGarrah and Townsend for an informal conference at the Reserve Bank on this matter, Mr. Locke being present with other members of our Committee. They discussed it for an hour and it seemed to be the quite unanimous opinion of those present that the plans should be changed or modified so that the member bank drawing the draft should send immediately two coupon advices to the reserve bank of its district on receipt of which, this reserve bank would charge the draft against the member bank's account and would forward the extra coupon duly countersigned to the reserve bank where payable; that no draft should be paid until advice is received; that in drawing up the form of draft instead of using the words "Receivable at _____ Reserve Bank", it should be made "Payable at _____ Reserve Bank, it evidently not being satisfactory to the bankers present to have the draft received at par, but requiring

that it only be payable when it reached the reserve bank of the member bank's district.

Mr. Woodward stated that you had telegraphed that a letter to me was en route, so we are awaiting its receipt before proceeding further, but assuming that the next steps after receiving your letter will be to take up with the members of the Governors Committee the points at issue and see if we can get concurrence in these changes, after which we will take it up with the Reserve Board.

I trust that you will discuss with Mr. Curtis a form of draft which would be desirable to use and such other detail matters so that we can have the benefit of same on his return.

Regarding the copies of cables already sent in re foreign bank matter, I reported the contents of your telegram and it was left for me to write a letter to Governor Harding along these lines, but unless I hear from Governor Harding again I think I will hold the matter in abeyance until we have a further request for the cables.

When we were discussing the rates for acceptances, I read your letter of January 11th on this subject to the directors for their consideration.

By this time, it was half past one and the Board decided to adjourn, so we did not reach a discussion of M. Pallain's letter, the amendments and one or two other matters, but we hope to have a meeting of the Executive Committee to-morrow or Monday for consideration of several matters referred to them.

Feb. 1, 1917.

I am sending you a copy of the House bill of January 22 thinking that possibly you may not have received same.

While dictating this, a telegram came in from Governor Harding that tenure of office of Charles Starek as Class C director has been terminated as of this date, but no intimation as to his successor.

My very best to you and Curtis.

Sincerely yours,



Deputy Governor.

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

RHT/VCM

Enc.

FEDERAL RESERVE BANK
OF NEW YORK

PJ/RAH
Postal
2/1/17
11:15 a.m.

(TO BE MAILED)

CONFIRMATION OF TELEGRAM

We have today telegraphed you as follows:

February 1, 1917.

Benjamin Strong, Esq.,
Colorado Springs, Col.
(Try leading hotels)

Directors yesterday appointed special committee Woodward Locke Palmer to consider Federal reserve draft plan of governors committee. Stop. Committee discussed matter yesterday with Alexander Frew McLaughlin Townsend who suggest unanimously that to make plan effective drafts should be not receivable but payable ~~only~~ on advice at Federal reserve banks. Stop. This necessitates advice between Federal reserve banks which bankers consider practicable. Stop. Otherwise bankers say such drafts would be merely accepted like any other check payable at the home Federal reserve bank and would therefore not be efficient instrument of transfer. Stop. Our committee favorable to endeavoring to secure such amendment of plan but wish first to have views of yourself and Curtis. Please wire as time is limited.

R. H. Treman.

charge Federal Reserve Bank
B-2 120 Broadway

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT.

RECEIVED AT MAIN OFFICE
NEST & CRANMER BUILDING
920 17TH STREET
DENVER, COLO.
TELEPHONE: MAIN 4800

TELEGRAM

DELIVERY NO.

371

The Postal Telegraph-Cable Company (Incorporated) transmits and delivers this message subject to the terms and conditions printed on the back of this blank.

160-29018 118 1108A

DESIGN PATENT No. 40230

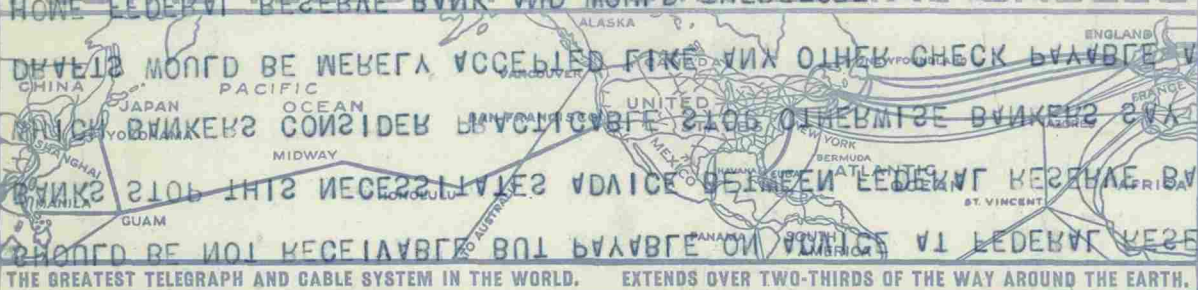
2/12 1308

CB NEWYORK FEB 1 17

365 BENJ STRONG ESQ 4100 MONTVIEW BLVD DENVER COL
DIRECTORS YESTERDAY APPOINTED SPECIAL COMMITTEE WOODWARD LOCKE PALMER
TO CONSIDER FEDERAL RESERVE DRAFT PLAN OF GOVERNORS COMMITTEE STOP
COMMITTEE DISCUSSED MATTER YESTERDAY WITH ALEXANDER FREW MCGARRAH
TOWNSEND WHO SUGGEST UNANIMOUSLY THAT TO MAKE PLAN EFFECTIVE DRAFTS
SHOULD BE NOT RECEIVABLE BUT PAYABLE ON ADVICE AT FEDERAL RESERVE
BANKS STOP THIS NECESSITATES ADVICE BETWEEN FEDERAL RESERVE BANKS
WHICH BANKERS CONSIDER PRACTICABLE STOP OTHERWISE BANKERS SAY SUCH
DRAFTS WOULD BE MERELY ACCEPTED LIKE ANY OTHER CHECK PAYABLE AT THE
HOME FEDERAL RESERVE BANK AND WOULD THEREFORE NOT BE EFFICIENT INSTR-

POSTAL TELEGRAPH-CABLE COMPANY

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)

COMMITS AND DELIVERS THE WITHIN TELEGRAM SERVICE TO THE FOLLOWING LIMITS AND CONDITIONS:

1. 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 unrepeated telegram 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 the Company.
2. The Company shall be liable for damages or non-delivery of any REPEATED 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.
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 which are 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 messenger sent by the Company, 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.

NO EMPLOYEE OF THIS COMPANY IS AUTHORIZED TO VARY THE FOREGOING.

W. 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

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT.

RECEIVED AT MAIN OFFICE
ERNEST & CRANMER BUILDING
920 17TH STREET
DENVER, COLO.
TELEPHONE: MAIN 4500

TELEGRAM

DELIVERY NO.

The Postal Telegraph-Cable Company (Incorporated) transmits and delivers this message subject to the terms and conditions printed on the back of this blank.

190-39018

DESIGN PATENT No. 40529

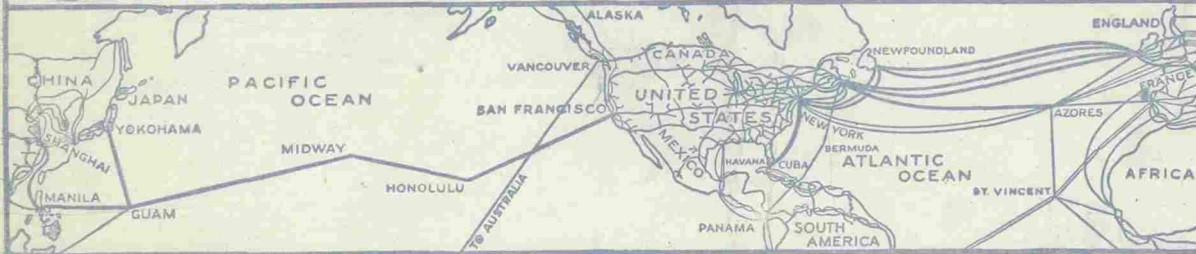
UMENT OF TRANSFER STOP OUR COMMITTEE FAVORABLE TO ENDEAVORING TO
SECURE SUCH AMENDMENT OF PLAN BUT WISH FIRST TO HAVE VIEWS OF YOURS-
ELF AND CURTIS. PLEASE WIRE AS TIME IS LIMITED

R H TREMAN

TELEPHONED
To *Miss Andrews*
By *Le*
Time *11:00a*

POSTAL TELEGRAPH-COMMERCIAL CABLES

OPERATOR'S NOTATION
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 the same reason. For this one-half the unrepeatable telegram rate is charged in addition. Unless otherwise indicated on its face, THIS IS AN UNREPEATED TELEGRAM AND SUCH REPEATING OF IT IS AGREED UPON BY 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 amount received for sending the same, UNLESS SPECIALLY VALUED; nor in any case for delays arising from unavoidable interruption in the working of the lines; NOR FOR ERRORS IN CIPHER OR SECURE 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 REPEATED, is hereby valued. Loss or destruction of the original in writing, if any, and the telegram is ordered, and the Company is not liable 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.

S. C. ADAMS,
VICE-PRESIDENT.

CLARENCE H. MACKAY, PRESIDENT.
EDWARD REYNOLDS, VICE-PRES. AND GENERAL MANAGER.

CHARLES P. BRUCH,
VICE-PRESIDENT.

THE GREATEST TELEGRAPH SERVICE IN THE WORLD

FEDERAL RESERVE BANK
OF NEW YORKPJ/RAH
Postal
10:50 a.m.

(TO BE MAILED)

CONFIRMATION OF TELEGRAM

We have today telegraphed you as follows:

February 1, 1917.

Benjamin Strong, Esq.,
4100 Montview Boulevard
Denver Colorado

Telegram received but your position not quite clear. Our committee recommends that drafts be made actually payable instead of merely receivable at a Federal reserve bank. This entails our receiving advice from home Federal reserve bank before we would pay. Stop. Should we stand on this basis or should we urge the advice but still only receive the drafts. Stop. If drafts are made payable we could wherever ^{desirable} pay small drafts say under five hundred dollars even if advice not received. Please wire promptly as committee meets this afternoon.

R. H. Treman.

Charge Federal Reserve Bank,
120 Broadway.

FEDERAL RESERVE BANK
OF NEW YORK

PJ/RAH
Postal
1:15 p.m.

(TO BE MAILED)

CONFIRMATION OF TELEGRAM

We have today telegraphed you as follows RUSH

February 2, 1917.

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

Executive committee today approved of your plan regarding Pallain letter. Stop
Recommended immediate formal application to Reserve Board for permission to
appoint Bank of France correspondent subject to your approval. Stop. Should
we consult Codert about French law as to gold exports as per your letter January
twenty seventh

R. H. Treman

Charge Fed. Reserve Bank
120 Broadway

B-2

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT.

TELEGRAM

RECEIVED AT MAIN OFFICE

& CRANMER BUILDING
20 17TH STREET
DENVER, COLO.
TELEPHONE: MAIN 4800

DELIVERY NO.

359

The Postal Telegraph-Cable Company (Incorporated) transmits and delivers this message subject to the terms and conditions printed on the back of this blank.

16D-3293 CHM 90 1057A

DESIGN PATENT No. 40829

To Secretary
By RC
Time 11:5 a

CB NEWYORK FEB 2 17
BENJ STRONG 4100 MONTVIEW BLVD DENVER COL
TELEGRAM RECEIVED BUT YOUR POSITION NOT QUIET CLEAR. OUR COMMITTEE
RECOMMENDS THAT DRAFTS BE MADE ACTUALLY PAYABLE INSTEAD OF MERELY RECEIVABLE AT A FEDERAL RESERVE BANK. THIS ENTAILS OUR RECEIVING ADVICE FROM SOME FEDERAL RESERVE BANK BEFORE WE WOULD PAY STOP SHOULD WE STAND ON THIS BASIS OR SHOULD WE URGE THE ADVICE BUT STILL ONLY RECEIVE THE DRAFTS STOP IF DRAFTS ARE MADE PAYABLE WE COULD WHEREEVER DESIREABLE PAY SMALL DRAFTS SAY UNDER FIVE HUNDRED DOLLARS EVEN IF ADVICE NOT RECEIVED PLEASE WIRE PROMPTLY AS COMMITTEE MEETS THIS AFTERNOON
R Y TREMAN

POSTAL TELEGRAPH-COMMERCIAL CABLES



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)

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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.
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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 H. 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

OPERATOR'S NOTATIONS,
TIME SENT, ETC.

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT.

RECEIVED AT MAIN OFFICE
WEST & CRAMMER BUILDING
920 17TH STREET
DENVER, COLO.
TELEPHONE: MAIN 4800

TELEGRAM

DELIVERY NO.

405

The Postal Telegraph-Cable Company (Incorporated) transmits and delivers this message subject to the terms and conditions printed on the back of this blank.

16D-29018

DESIGN PATENT No. 40539

435CHM 49 1230P

CB NEWYORK FRB 2 17

BENJ STRONG

4100 MONTVEDE BLVD

DENVER

EXECUTIVE COMMITTEE TODAY APPROVED OF YOUR PLAN REGARDING PALLAIN

LETTER STOP RECOMMENDED IMMEDIATE FORMAL APPLICATION TO RESERVE BOARD

FOR PERMISSION TO APPOINT BANK OF FRANCE CORRESPONDENT SUBJECT TO

YOUR APPROVAL STOP, SHOULD WE CONSULT CODERT ABOUT FRENCH LAW AS TO GOLD

EXPORTS AS PER YOUR LETTER JAN TWENTY SEVENTH

R H TREMAN

TELEPHONED

To *Secretary*

By *ce*

Time *1233 pm*

POSTAL TELEGRAPH-COMMERCIAL CABLES



THE GREATEST TELEGRAPH AND CABLE SYSTEM IN THE WORLD. EXTENDS OVER TWO-THIRDS OF THE WAY AROUND THE EARTH.

OPERATOR'S NOTATIONS,
TIME SENT, Etc.

THE POSTAL TELEGRAPH-CABLE COMPANY (INCORPORATED)

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CLARENCE H. MACKAY, PRESIDENT.

EDWARD REYNOLDS, VICE-PRES. AND GENERAL MANAGER.

CHARLES P. BRUCH,

VICE-PRESIDENT.

THE FASTEST TELEGRAPH SERVICE IN THE WORLD

FEDERAL RESERVE BANK
OF NEW YORK

February 2nd, 1917.

Dear Governor Strong:

Answering yours of January 27th, I understand that you will send us a revised translation of the letter from M. Pallain. Meanwhile, I submitted the letter to our Executive Committee to-day, reading only one or two extracts from it and they approved of your proposed way of treating this matter and of the continuance of our negotiations; they also passed a formal resolution authorizing us to make a formal application to the Federal Reserve Board in re Bank of France as correspondent, subject to your approval and we have wired you to-day as per enclosed copy. We will await your advice before making application.

They also desired to know whether you thought it advisable to consult Coudert Brothers about French law about gold export, as per your letter of January 27th.

I also read to the Committee extracts from your letter of January 16th, page 3, in which you suggest that inquiry "be made of the Reserve Board as to whether we may rely upon the terms of whatever arrangement we enter into being regarded as confidential and not made public." Both Messrs. Woodward and Peabody were present and they agreed that when the Committee from the Federal Reserve Bank of New York was in Washington this matter was discussed and the understanding from different members of the Board

was that they had guarded, would continue to hold in confidence all details of arrangements made with foreign banks, that they had not broken confidence in this respect and that it was the understanding that they had and would respect the arrangements which the New York Bank entered into in these matters. After a discussion, the Executive Committee felt that it was not advisable to take up the matter with Washington at the present time unless you feel otherwise.

On the matter of gold bars, the Executive Committee was informed that you had written to Governor Harding and Mr. Jay will call at the Assay Office in New York and discuss same with the head of it so that he will also be informed of our desire.

I hope that you will have a very pleasant time at Phoenix. Both you and Mr. Curtis deserve it.

I shall try and run up to Ithaca to-night for Saturday but hope to be back Monday morning as I like to be on the job during these strenuous days.

I am sending you herewith some information as to the new reserve notes we have furnished, and other information which I thought might be of interest.

As to that portion of your letter of January 25th pertaining to our permanent organization, I have submitted same to Mr. Woodward and Mr. Peabody. I understand that Governor Aiken expects to be over here on next Tuesday to meet Mr. Woodward and at that time I think perhaps we will have Governor Rhoads over so that we can have an exchange of views again on Federal reserve draft matters.

With kind regards, I remain,

Sincerely yours,



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

Strong
L'AS

FEDERAL RESERVE NOTES PAID OUT BY THIS BANK TO OTHER BANKS

During January, 1917, as reported by the Paying Teller

MEMBER BANKS

Bank of New York, N. B. A.	\$ 20,000.
Merchants National Bank	280,000.
Mechanics & Metals National Bank	910,000.
National City Bank	1,925,000.
Chemical National Bank	10,000.
Atlantic National Bank	110,000.
American Exchange National Bank	500,000.
National Bank of Commerce	360,000.
Chatham & Phenix National Bank	110,000.
Hanover National Bank	330,000.
Citizens Central National Bank	100,000.
Market & Fulton National Bank	73,000.
Importers & Traders National Bank	60,000.
Second National Bank	240,000.
Irving National Bank	200,000.
New York County National Bank	20,000.
Chase National Bank	1,000,000.
Lincoln National Bank	560,000.
Garfield National Bank	320,000.
Seaboard National Bank	255,000.
Liberty National Bank	660,000.
Coal & Iron National Bank	110,000.
Union Exchange National Bank	50,000.
Nassau National Bank, Brooklyn	74,000.
First National Bank, Brooklyn	85,000.
Gotham National Bank	70,000.
Harriman National Bank	115,000.
Farmers National Bank, Adams, N. Y.	6,000.
First National Bank, Albany, N. Y.	5,000.
First National Bank, Amsterdam, N. Y.	11,000.
Burrows National Bank, Andover, N. Y.	2,000.
Cayuga County National Bank, Auburn, N. Y.	15,000.
First National Bank, Binghamton, N. Y.	17,000.
First National Bank, Blairstown, N. J.	1,500.
Boonton National Bank, Boonton, N. J.	3,000.
First Bridgeport Nat'l Bk., Bridgeport, Conn.	313,000.
Marine National Bank, Buffalo, N. Y.	20,000.
First National Bank, Camden, N. Y.	6,000.
Canajoharie National Bank, Canajoharie, N. Y.	19,000.
Florida National Bank, Florida, N. Y.	3,000.
Fort Edwards National Bank, Fort Edwards, N. Y.	8,000.
National Bank of Glens Falls, Glens Falls, N. Y.	5,000.
Hackettstown Nat'l Bk., Hackettstown, N. J.	6,000.
National Hamilton Bank, Hamilton, N. Y.	3,000.
First National Bank, Hoboken, N. J.	15,000.
First National Bank, Ithaca, N. Y.	6,500.

MEMBER BANKS

Irvington National Bank, Irvington, N. Y.	‡	3,000.
First National Bank, Jersey City, N. J.		5,000.
First National Bank of Rondout, Kingston, N. Y.		5,000.
Farmers National Bank, Malone, N. Y.		9,000.
First National Bank, Mineola, N. Y.		9,000.
Manufacturers National Bank, Newark, N. J.		6,000.
Union National Bank, Newark, N. J.		5,000.
Exchange National Bank, Olean, N. Y.		5,000.
First National Bank, Paterson, N. J.		1,000.
Paterson National Bank, Paterson, N. J.		6,000.
City National Bank, Plainfield, N. J.		10,000.
National Bank of Commerce, Rochester, N. Y.		5,000.
Farmers National Bank, Rome, N. Y.		5,000.
National Bank of Skaneateles, Skaneateles		10,000.
Union National Bank, Schenectady, N. Y.		25,000.
United National Bank, Troy, N. Y.		5,000.
Farmers National Bank, Union, N. Y.		5,000.
First National Bank, Utica, N. Y.		10,000.
Jefferson County Nat'l Bk., Watertown, N. Y.		2,000.
First National Bank, White Plains, N. Y.		16,000.
First National Bank, Morristown, N. J.		5,000.
		<hr/>
		‡9,164,000.

NONMEMBER BANKS

Greenwich Bank		60,000.
Bank of the Metropolis		80,000.
New York Produce Exchange Bank		50,000.
Guaranty Trust Company		70,000.
Empire Trust Company		70,000.
Equitable Trust Company		40,000.
Lincoln Trust Company		285,000.
Lawyers Title & Trust Company		10,000.
N. J. Title Guaranty & Trust Co., Jersey City, N.J.		5,000.
		<hr/>
		‡9,834,000.

TO MEMBER BANKS

		<u>Received Payment</u>	
New Bills	6,927,000	Checks	3,562,500
Sorted Bills	<u>2,237,000</u>	Gold	<u>5,601,500</u>
	<u>9,164,000</u>		<u>9,164,000</u>

TO NONMEMBER BANKS

New Bills	395,000	Gold	670,000
Sorted Bills	<u>275,000</u>		<u> </u>
	<u>670,000</u>		<u>670,000</u>

FEDERAL RESERVE NOTES RECEIVED BY THIS BANK

During January, 1917, as reported by the Receiving Teller.

	<u>OUR NOTES</u>		<u>NOTES OF</u>	
	<u>From U. S. Treas. Fit for Circulation</u>	<u>From Out of Town Banks</u>	<u>From City Banks</u>	<u>Other Federal Reserve Banks</u>
1				
2			450,165	136,700
3		48,000	362,385	120,800
4	115,550	27,000	310,915	103,600
5		20,700	315,980	91,900
6			9,000	4,000
7				
8		17,790	616,665	192,100
9			376,550	112,100
10	217,200	66,000	370,130	123,300
11		192,000	579,015	175,600
12		161,000	588,570	162,800
13		14,000	75,000	25,000
14				
15		29,500	487,525	146,200
16	175,400	38,000	422,535	127,400
17		103,000	502,220	180,700
18		81,000	527,320	162,400
19		14,000	432,245	125,300
20		80,000	28,500	9,500
21				
22	217,900	9,500	601,325	120,200
23		114,000	576,255	127,200
24		100,000	586,175	129,200
25		77,500	450,340	93,600
26		96,900	511,880	102,400
27		48,000	106,695	69,300
28				
29	129,800	31,000	496,510	97,300
30		52,500	400,670	80,100
31		96,000	531,395	106,200
	<u>855,850</u>	<u>1,517,390</u>	<u>10,715,965</u>	<u>2,944,900</u>
		855,850		
		<u>10,715,965</u>		
	Total of our Notes	13,089,205		
	Other F. R. Bank Notes	<u>2,944,900</u>		
	Grand Total	16,034,105		

FEDERAL RESERVE BANK
OF NEW YORK

February 2, 1917.

My dear Governor:

I am glad to note that Mr. Curtis is now with you. Mr. Jay received your telephone to-day while I was in a meeting with the executive committee.

At the moment the market is normal while active and things are simply marking time awaiting the next development. The general impression in the "street" is that we shall be drawn into war but personally I am inclined to doubt it although we may sever diplomatic relations. Should we be drawn into war, I imagine that we shall then have some test for the reserve bank system and we shall have some more problems in the New York bank.

I hope that you will not defer your trip to Arizona but will keep us posted and if we deem it desirable we shall not hesitate to wire you for Mr. Curtis's return.

With kind regards as always, I remain,

Very truly yours,



Deputy Governor.

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

RHT/ELS

FEDERAL RESERVE BANK
OF NEW YORK

February 2nd, 1917.

Dear Governor Strong ;

We had quite an active day in New York yesterday because of the new German propoganda. It is rumored in the city to-day that Wilson has sent another "note" to the German Government, but owing to present disturbed conditions has not made it public.

I enclose report of the Federal Reserve Board as to renewal credits as of February 1st. Shall I continue to send you these two or three times a week?

Yesterday, we bought about \$4,000,000 of acceptances at from 3 to $3\frac{1}{4}$ %, buying nothing less than 3 % and to-day are having quite a fair volume of bills offered. The market at the moment is quite active, but prices about the same as last night.

*We bought - 3 1/4 millions Bills today
mostly 3 1/8 to 3 1/4*

I understand from the copy of your letter to Governor Harding in re accumulation of gold bars that you will have the opinion of the Federal Reserve Board through him, after receiving which you will advise us as to the course to pursue here and the amount to be accumulated, if any.

*See
and the decision of U.S
Treas.*

We have your telegram this morning in reference to the Federal Reserve draft plan adopted at Washington, with

your criticism thereon. We have called a meeting of our Executive Committee to consider this. In view of the unanimous report of the Governors present at Washington and the fact that the plan is published in the Federal Reserve Bulletin of February 1st, I assume that our method of procedure here after our Committee has agreed on the position which should be taken by the New York Reserve Bank in this matter would be as follows: We would advise the other six Governors who were not present at Washington of the action of the Conference, give them a report of the proceedings and accompany it with a letter setting forth the position of the Federal Reserve Bank. Then that we should proceed as originally planned in Washington with the preparation of the proposed form of draft and other machinery necessary, sending same after it is prepared to each of the reserve banks for consideration and then have a Governors Conference, probably about the 1st of March and if such Conference should think some modification of the plan advisable, we could then properly go before the Reserve Board again, stating that the Governors Conference had after full consideration of the report of the Committee, decided to recommend such and such modifications of the plan, provided the Governors did agree upon the modifications. In this connection, we must bear in mind that some educational work will probably be necessary to bring about the changes desired.

I understand that Governor Aiken is coming over to New York next Tuesday for a conference.

I assume from your letters that you are continuing to gain in health and strength, all of which is fine and we just want you to keep it up. You are such a human dynamo that I have the feeling

Feb. 2, 1917.

constantly that you should have a governor or regulator of your
work attached to you every day lest you break loose.

Our very best wishes to you and Mr. Curtis.

As ever,

Sincerely yours,



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

RHT/VCM

Enc.

Etroy

APPROXIMATE AMOUNTS OF ACCEPTANCES BASED UPON CREDITS WITH
RENEWAL PRIVILEGE HELD BY EACH FEDERAL RESERVE BANK AS
PER SCHEDULES ON FILE WITH THE FEDERAL RESERVE
BOARD, FEBRUARY 1, 1917.

(In thousands of dollars)

Bank	Amounts held January 29, 1917	Bought	Matured	Amounts held February 1, 1917.	Date of last schedule received
Boston	1,390		647	743	January 26, 1917
New York	6,503		(a)1,773	4,730	" 30, "
Philadelphia	2,371		139	2,232	" 31, "
Cleveland	1,575		254	1,321	" 30, "
Richmond	299			299	" 30, "
Atlanta					" 29, "
Chicago	2,709		549	2,160	" 17, "
St. Louis	1,247		367	880	" 27, "
Minneapolis	615		145	470	" 13, "
Kansas City	345		76	269	" 13, "
Dallas	641		391	250	" 13, "
San Francisco	1,198		124	1,074	" 25, "
Total	18,893		4,465	14,428	

(a) Comprises \$277,000 of ordinary acceptances previously included in total of paper held by the New York Bank.
renewal credit

DIVISION OF REPORTS AND STATISTICS,
FEDERAL RESERVE BOARD,
February 1, 1917.

FEDERAL RESERVE BANK
OF NEW YORK

February 6th, 1917.

Dear Governor Strong:

Your letter of February 2nd in re making formal application for permission to appoint the Bank of France as our agent came in this morning and I expect to present it at the Directors meeting to-morrow.

Sincerely yours,



Deputy Governor.

Benjamin Strong, Esq.,
The Adams Hotel,
Phoenix, Arizona.

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

February 5th, 1917.

Dear Governor Strong:

I am glad to know that you are having such a "bully" visit with Judge Curtis and I hope you will find the weather very pleasant and the environment an interesting one in Phoenix, Arizona.

We are wiring you to-day that conditions are quiet here, the stock market having opened strong and higher; we are having acceptances offered to us in moderate amounts and are buying at from 3 to $3\frac{1}{4}$ % but no less.

I note that you are very much dissatisfied with the policy being pursued by the New York bank in the matter of purchase of bills, etc. I confess it has been somewhat difficult to steer a course amid so many conflicting opinions of what the New York bank should do, but evidently the Reserve Board had more knowledge of probable war clouds arising than we appreciated and I think that probably led Governor Harding to sending out his letter on investments. At the directors meeting last week we discussed the question quite at length, reporting that we were now down below the \$25,000,000 of investments which we felt was necessary to pay our expenses, but at the time it seemed wise to continue for a little while longer, but as usual, the "Lord helps out those who are in trouble" and the war news changed the

situation so that we have purchased in the last few days nearly \$10,000,000 of acceptances and warrants at rates mostly from 3 % to 3¼ %. I hope this change will relieve your anxiety because I do not like the feeling that you are not in accord with our policy. I think Warburg and the others in Washington have entirely approved of the position we have taken during the month of January and have recognized that it operated against our own interests. Perhaps, however, in the next few months, we shall be able to make up enough so that it will not seem ill-advised that we pursued this policy for a while.

Verbal

I suggest that you transmit to "Judge" Curtis your criticisms and suggestions so as to get them out of your own system and let him bring them on to us when he returns and we will give them the same careful consideration we always do anything which emanates from your fertile and active, as well as sound, mind.

Regarding the Federal reserve bank drafts, we expect Governors Aiken and Rhoads here to-morrow and will go over the matter with them. Also talked with Fancher over the 'phone before he left for a month's vacation in Florida where he is stopping at the Hotel Ormond, Ormond Beach.

We have sent out a report to the Governors, together with a copy of the proposed plan as outlined by the Governors Committee and asked them to go over the matter with their directors and make such suggestions and criticisms as may occur to them, our thought being that between the 1st and 15th of March we might have another Governors Conference and thrash the whole thing over before the final plan is put into operation.

We are having a fierce blizzard and snowstorm to-day while I hope you are basking in the sunshine of Arizona.

My kindest regards to you and Curtis.

Sincerely yours,

W. H. C. [Signature]

Deputy Governor.

Benjamin Strong, Esq.,
Adams Hotel,
Phoenix, Arizona.

RHT/VCM

*Bought - 6 million Acceptances today @ 3 to 3 1/4
" 1 1/4 million 34 - N.Y. City Warrants }
Chicago taking 400,000 =
Everything quiet.*

FEDERAL RESERVE BANK
OF NEW YORK

February 6th, 1917.

Dear Governor Strong:

I showed the telegram and letter in regard to parring Federal reserve bank checks to Mr. Woodward and it was done before your letter reached me.

Mr. Locke sent on a suggestion for the committee's report but will not be present to-morrow. Mr. Woodward has been working on a report and Mr. Jay also, for presentation and action at the Directors meeting to-morrow.

Governors Aiken and Rhoads were in to-day and after an exchange of views as to the war situation and its effect upon the financial position, we discussed for about an hour the parring of Federal reserve bank drafts, and Mr. Woodward dropping in, he and Mr. Jay joined in the discussion. The views are somewhat divergent as yet, but I believe we are working towards a clear view point and hope we may frame up our position in a way to have a beneficial effect on the views of the other Governors and the Reserve Board.

We did very little to-day in bills, buying only about \$50,000 for delivery to-day. We had an offer from the Bankers Trust Company but were about 1/8 of a point apart and they said the open market would take them, so we passed them up.

2/6/17.

We did a little rediscounting to-day, but not much.

The city and the market seem quiet with no evidences of excitement, but there is always the feeling that almost any day something may develop.

I am enclosing a report of acceptances based on renewal credits which, of course, will now begin to show additions because of our recent large purchases.

I hope that you are having a most satisfactory jaunt with Curtis and that it will do both of you good.

Sincerely yours,



Deputy Governor.

Benjamin Strong, Esq.,
The Adams Hotel,
Phoenix, Arizona.

RHT/VCM.

Enc.

Mr Strong

APPROXIMATE AMOUNTS OF ACCEPTANCES BASED UPON CREDITS WITH RENEWAL PRIVILEGE HELD BY EACH FEDERAL RESERVE BANK AS PER SCHEDULES ON FILE WITH THE FEDERAL RESERVE BOARD, FEBRUARY 5, 1917.

(In thousands of dollars.)

Bank	Amounts held February 1, 1917.	Bought	Matured	Amounts held February 5, 1917.	Date of last schedule received.
Boston	743			743	January 26, 1917
New York	4,730	1,009	978	4,761	February 3, "
Philadelphia	2,232	331	662	1,901	" 3, "
Cleveland	1,321		74	1,247	January 31, "
Richmond	299			299	February 1, "
Atlanta					" 2, "
Chicago	2,160	134	135	2,159	" 1, "
St. Louis	880		25	855	January 31, "
Minneapolis	470		50	420	" 13, "
Kansas City	269		25	244	" 13, "
Dallas	250		25	225	" 13, "
San Francisco	1,074		99	975	" 25, "
Total	14,428	1,474	2,073	13,829	

DIVISION OF REPORTS AND STATISTICS,
FEDERAL RESERVE BOARD,
February 5, 1917.

[Carbon in
C26/70+a]

FEDERAL RESERVE BANK
OF NEW YORK

February 6th, 1917.

Dear Governor Strong:

Answering yours of February 2nd about the propriety of filing copies with the Federal Reserve Board of the cables addressed to the Bank of England, will state that upon further investigation it developed that when our Committee was in Washington the Board asked them to furnish copies of cables which had passed, and Mr. Towne promised that the bank would do so and this was acquiesced in by both Mr. Peabody and Mr. Woodward, so after presenting your telegram to the Executive Committee it was decided there was no other course to pursue and I am enclosing herewith copy of the letter I sent in connection therewith for your files.

Am pleased to note that you had a cordial letter from Deputy Governor Cokayne of the Bank of England.

Sincerely yours,

R. H. Tamm
Deputy Governor.

Benjamin Strong, Esq.,
Care The Adams Hotel,
Phoenix, Arizona.

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

[Letter on
Cable to B?
E-m
0261701a]

February 7th, 1917.

Dear Governor Strong:

In re Foreign Banking Relations.

I presented your letter of February 2nd in re letter to Dr. Vissering of the Bank of the Netherlands to the Board meeting this morning and after an exchange of views it was felt that it was advisable to defer sending this proposed letter for a while until war conditions cleared up somewhat, and I hope that in this view you will concur but being free to advise us whenever in your judgement we should forward the letter.

After hearing your letter of February 2nd, the directors approved it and authorized the officers to proceed along the lines suggested by you in this letter.

The Board received with pleasure the report from Mr. Curtis that you were looking unusually well. My very best regards to you and Curtis and I hope that you are enjoying every day of each other's society.

Sincerely yours,



Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

February 7th, 1917.

Dear Governor Strong:

In re Acceptances.

I am enclosing herewith copies of report made to our Directors this morning as to acceptances held, by whom and the amounts. Kindly destroy same after reading and not bother to return.

If I am imposing too much upon your time and good nature by sending you this voluminous correspondence, do not hesitate to advise me as I do not wish to overtask one particle of your surplus strength. You can know the joy I feel in the news I am receiving constantly as to your improvement. I confess that I have a little fear that you will become so frisky that you will overdo, but hope for the best.

Do not answer all of these letters as some of them are merely sent for your information.

I am asking Mr. McKay of Chicago, to send you a copy of the brief he has prepared on free telegraphic transfers.

Sincerely yours,



Deputy Governor.

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

RHT/VCM

Enc.

FEDERAL RESERVE BANK
OF NEW YORK

February 7th, 1917.

Dear Governor Strong:

At our Directors Meeting this morning, it was decided that no change in discount rates would be made and as you know we are not purchasing acceptances now, at any rate, under 3 % but are securing quite a number of bills at from 3 to 3 $\frac{1}{4}$ %, to-day picking up from \$4,000,000 to \$5,000,000 at these rates, a large proportion of them being renewal credits or French Industrial credits.

I read to the Directors your two letters as to the policy of our investments and especially as to our being prepared to handle any situation with courage and speed, but always on a sound basis.

The question of vault control was also presented and approved of.

Sincerely yours,



Deputy Governor.

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

RHT/VCM

Office Correspondence

FEDERAL RESERVE
BANK OF NEW YORK

Date January 9, 1917.

To Mr. Brown and Mr. Jay

Subject Federal reserve bank drafts.

From Mr. Sailer and Mr. Hendricks.

As requested, the modification of the plan, to make Federal reserve bank drafts immediately available at one other bank, as suggested by the committee of our board has been given very careful consideration, and we present below the conditions surrounding both plans.

If these drafts are made payable at a reserve bank it will entail the following arrangements.

- (1) For all Federal reserve banks to be prepared to pay on receipt any draft drawn by over 7500 banks.
- (2) To pay three kinds of drafts - one without advice, the second on receipt of advice by mail, and the third on wire advice.
- (3) To have on file signatures of these banks and keep all changes corrected up to date. This will mean about 90,000 signature cards;

or

To have an advice of each and every draft drawn, and the number of these could easily run into thousands. Two advices must be made by the drawing bank, both forwarded to the home reserve bank, one to be certified by them and forwarded to the paying reserve bank.

- (4) Either to pay the draft without advice or attempt to secure advice by wire to prevent the protesting of a draft advice of which had failed to arrive.

If these drafts are made receivable at a reserve bank.

- (1) It will be unnecessary to make any special arrangements.
- (2) The present method of doing business would continue, but the deferred time would be removed.
- (3) The present custom is to receive on deposit for immediate credit or cash all New York exchange. These Federal reserve bank drafts would be received on the same basis.

It is evident that when the reserves of the country banks have been finally transferred to the reserve banks of their respective districts a number of country banks will, of necessity, be obliged to discontinue their relations with correspondents in the central reserve cities as they cannot afford to split their accounts and carry balances in these centres for ex-

Date February 8, 1917.

Subject:

-2-

change purposes only and earn 2% interest on such balances. This will handicap them in not being able to sell or supply exchange on these centres when called upon by their customers. To overcome this difficulty, the Federal reserve banks are arranging for a new form of prime exchange to be known as Federal reserve exchange to take the place of New York exchange, which in the past has been accepted at par for immediate credit in any part of the United States. If these drafts (Federal reserve exchange) are made payable at instead of receivable at a reserve bank, the only party interested or really benefited is the depositing bank. The merchant or bank at Brownsville and the reserve bank at Dallas are not interested in what happens in New York. Lord & Taylor will be satisfied if their bank gives them immediate credit or cash for the draft, which is the present practice.

Would a New York bank consider permitting all the bank depositors of a bank in Albany to draw on them and pay the drafts on receipt with or without advice? There is a practice at the present time of country banks drawing drafts upon Albany, for instance, and marking them "payable if desired" at a New York bank. These banks are selected and it is a special arrangement, which is more difficult to make every day, and the New York bank insists upon an advice, signature cards and a limit of the amount to be paid in any one day. The modification proposed by the committee of the directors contemplates giving this privilege to over 7,500 banks and with the choice of any one of twelve places of payment.

In view of the foregoing, we recommend, as an experimental first step, that the plan as agreed upon by the governors and the Federal Reserve Board be adopted for these reasons:

- (1) The simplicity of operation.

Office Correspondence

FEDERAL RESERVE
BANK OF NEW YORK

Date February 9, 1917.

To _____
Subject: _____

From _____

-3-

(2) It makes no change in present practices.

(3) It will conveniently replace the present drawing of New York exchange.

If the modification as proposed by the committee should be accepted by the Federal Reserve Board and the other Federal reserve banks, we should insist upon the following:

- (1) All drafts to be payable only after receipt of advice. This would obviate the necessity of having signature cards.
- (2) That there is no need of placing a limit on the amount of the drafts.

LEB-JHE/RE

Office Correspondence

Date February 9, 1917.

To Mr. Jay

Subject: PURCHASES OF ACCEPTANCES DURING

From E. R. Kenzel

FEBRUARY 1917.

Our total purchases from February 1st to 9th inclusive for ourselves and for distribution amounted to about- - - - - \$31,000,000
of which there were drawn under renewal credits almost- - - - - 14,000,000
of the latter amount there are indorsed by member banks - - - - - 2,000,000.

During the same period there have matured and been paid through this bank, for account of ourselves and the other Federal reserve banks, bills amounting to - - - - - 11,191,000
During the same period the renewal bills paid amounted to - - - - - 5,107,000
This gives net increase on our operations of all bills- - - 20,000,000
of which renewal bills total - - - - - 9,000,000

This large increase of renewal bills is accounted for by our purchase of approximately \$6,500,000 of bills drawn under the French Industrial Credit of November 11, 1916. The names that we have bought under that credit include the following:

- Chase National Bank,
- American Exchange National Bank,
- National Bank of Commerce,
- Liberty National Bank,
- Bankers Trust Company,
- J. P. Morgan & Company,
- Guaranty Trust Company.

The Guaranty Trust Company bills amount to about \$500,000 and are indorsed by the Bankers Trust Company, also by the American Exchange National Bank.

All of these bills have been bought at rates varying from 3% to 3 1/4%. The high rate generally obtained for the nonmember bills of the longer maturities.

The maturities of all purchases are well distributed over March and April, with several millions of very short February and early March. The French Industrial bills all mature until 15th. Only a moderate amount of the volume run into May and 90 days.

Date February 9, 1917.

To Mr. Jay
 From E. R. Kenzel

Subject: PURCHASES OF ACCEPTANCES DURING
 FEBRUARY 1917.

-2-

Our participation in the more recent purchases will be larger than usual as Boston does not participate at present and Philadelphia, on account of conditions in their district where some member banks in the mining region are experiencing heavy withdrawals, also will not participate for a few days at least, and San Francisco is limiting the amount of their participation; also to the fact that Chicago and Minneapolis do not take bills drawn under the French Industrial Credit.

Other buyers in the ^{open} bond market to-day show little disposition to take any bills under 3 1/4%, although there are exceptions to this, as, for instance, one member bank told me that they had sold their 90-day renewals under the Bonbright Credit to-day at 3 3/16%.

FEDERAL RESERVE BANK
OF NEW YORK

R.A. Jr.

FEB 21 1917

February 9th, 1917.

My dear Governor Strong:

Federal Reserve Bank Drafts.

The committee on Federal reserve bank drafts has been putting in a good deal of work and thought on the subject. I enclose memorandum from Messrs. Sailer and Hendricks on this matter and shall endeavor to send you later in the day copy of the report as framed up to date, but same has not been submitted to Mr. Locke and will not be sent out until properly approved.

The discussions seem to be largely over whether the drafts should be made "Payable at" or "Receivable at" and while I have been in favor of making them "Receivable at" on the theory that this plan is proposed to take the place of the present circulation of New York bank drafts and as they have been for years received at par in every important point in the country and credited or cashed upon presentation, after which they have been forwarded to New York for payment, I personally see no reason why they should not be made "Receivable at". However, as Messrs. Woodward and Jay, also the New York bankers, feel strongly that they should be made "Payable at", I shall not object to the report of our bank committee recommending this to the Governors conference later. In any event, I hope that a workable and sound scheme will be finally adopted.

Sincerely yours,

R.T. Truman

Deputy Governor.

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

Friday
6 PM

This is a draft of our "brief"
for the Washington Conference on FR Bank
Draft

We understand that in some of the Federal reserve districts the transfer plan adopted by the Federal Reserve System is not considered satisfactory by the member banks. They wish to be able to draw their own checks to transfer funds instead of ordering the transfers made through their Federal reserve banks. Various plans for making drafts drawn by member banks on their Federal reserve banks more acceptable and available than at present have been suggested and a committee of the governors has been appointed to confer with the clearing committee of the Federal Reserve Board to see if a plan can be worked out.

Ret.

The officers of the Federal Reserve Bank of New York have considered the various suggestions which have been made and are of the opinion that a satisfactory plan can be worked out making drafts drawn on Federal reserve banks immediately available at Federal reserve banks provided the principles of the present transfer system which have been tested and proved satisfactory and sound for the past eighteen months are followed. The suggestion of the Federal Reserve Bank of New York, therefore, is as follows:

1. The member bank draws, on a specially prepared form of draft, on its Federal reserve bank, marking the draft ~~payable~~ ^{receivable for immediate credit upon} at the Federal reserve bank of the district to which the draft is to be sent.
2. The member bank advises its Federal reserve bank the particulars of the draft and requests it to write or wire to the Federal reserve bank at which the draft has been made ~~payable~~ ^{receivable}, directing it to ~~pay~~ ^{receive} the draft on presentation and furnishing sufficient particulars to identify it.
3. The Federal reserve bank charges the amount of the draft to the account of its member bank on receipt of the advice from the latter.
4. The Federal reserve bank which ~~pays~~ ^{receives} the draft should be ~~reimbursed~~ ^{reimbursed} by

the Federal reserve bank on which the draft is drawn on the day of payment.

5. The member bank may make the draft ^{receivable} ~~payable~~ only at the Federal reserve bank of the district to which it is to be sent; and such Federal reserve bank will receive the draft only for deferred credit if its first indorsement is not that of a person, firm or corporation situated within its district.

6. As this service is undertaken for the convenience of the member banks and without cost to the Federal reserve banks except for telegrams, which presumably the member bank will pay, the Federal reserve bank makes no charge for it, but the member bank should be at liberty to charge exchange to their customers when practicable.

FEDERAL RESERVE BANK
OF NEW YORK

February 9th, 1917.

My dear Governor Strong:

I beg to enclose herewith copy of a letter received yesterday from the Comptoir National D'Escompte de Paris.

We assume there is nothing further for us to do although I did have further information secured as to taxes and forwarded it under letter mail.

Sincerely yours,



Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

February 7th, 1917.

Dear Governor Strong:

Federal Reserve Bank Drafts.

Mr. Woodward presented a report from our Committee on Federal Reserve Bank drafts at the Directors meeting this morning, stating that he had given a great deal of thought to the subject and that while the report was not finished, he read the the draft prepared which was approved of by the Directors in principle and referred ~~it~~ back to the Committee with power to modify and send it to the other reserve banks and to the Reserve Board at the proper time.

We are having a conference this afternoon of Messrs. Sailer, Hendricks, Jay and myself to go over the report again. There seems to be general unanimity of the view that there should be advice from the member bank to the reserve bank of its district and by that reserve bank to the reserve bank where payable and that no drafts in amount above, say, \$250 to \$300 should be paid without advice, but no advice necessary for amounts less than \$250 or \$300. *These views contingent on certain premises*

It was further thought that drafts of this amount and less will constitute the large majority of those presented by the country banks who will want to use this system when inaugurated.

2/7/17.

The difference between us now apparently is whether the drafts shall be "Receivable at" or "Payable at" the bank designated. I think we can frame it up satisfactorily and it is possible that Mr. Woodward may have Messrs. Harding and Delano, also Mr. Jay, down at his Maryland home for a little holiday on Monday next, February 12th, at which time - if it is carried out - the matter can be thoroughly discussed.

Everything is quiet here to-day and if we can only keep out of war, we shall be very happy.

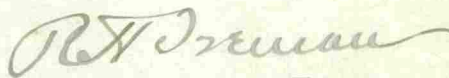
I shall be glad to hear from you as to Mr. Curtis's plans and his probable return.

Governor Aiken was here yesterday and lunched with Messrs. Peabody and Woodward and you will probably hear from him or them soon.

Governor Rhoads was over also but went back early in the afternoon to meet President Taft.

My very best wishes to you.

Sincerely yours,



Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

February 9th, 1917.

My dear Governor Strong:

It is fortunate for Curtis and you that you are in the sunshine and dry climate as we are having samples of all kind of weather, varying from day to day according to Nature's whims.

I enclose report of acceptances held and would state that we have been averaging about from \$2,000,000 to \$4,000,000 of purchases of bills each day since diplomatic relations were broken. Rates 3 to 3 $\frac{1}{2}$ %.

Received a cablegram last night from Lord Cunliffe reading "Your letter January 18th received and will have attention but enclosures mentioned bottom page five are missing." The section referred to is as follows: Letter January 18th, Section 13. "It is further suggested that the Bank of England furnish the Federal Reserve Bank of New York with the necessary documents and papers to enable the opening of an account with the Bank of England and accompanying this letter are directions and forms applying to the opening of an account by the Bank of England with the Federal Reserve Bank of New York."

You will recall that after discussion here we thought it advisable not to send the signature cards, etc.,

until we heard from them as to their acceptance in general of your proposition. Unfortunately, we omitted to strike out that section and will cable to-day.

With kind regards, I remain,

Sincerely yours,



Deputy Governor.

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

RHT/VCM

P. S. We have cabled Lord Cunliffe in answer to his cable as follows: "Cable received. We withheld sending papers and signature cards pending your decision on our proposals. Regret we overlooked omitting paragraph thirteen from letter."

APPROXIMATE AMOUNTS OF ACCEPTANCES BASED UPON CREDITS WITH
RENEWAL PRIVILEGE HELD BY EACH FEDERAL RESERVE BANK AS
PER SCHEDULES ON FILE WITH THE FEDERAL RESERVE
BOARD, FEBRUARY 8, 1917.

(In thousands of dollars.)

Bank	Amounts held February 7, 1917.	Bought	Matured	Amounts held February 8, 1917.	Date of last schedule re- ceived.
Boston	743			743	February 6, 1917
New York	6,029	150		6,179	" 7 "
Philadelphia	2,058	75		2,133	" 7 "
Cleveland	1,656			1,656	" 5 "
Richmond	299			299	" 7 "
Atlanta					" 6 "
Chicago	2,159			2,159	" 5, "
St. Louis	1,161			1,161	" 5, "
Minneapolis	420	211		631	" 6, "
Kansas City	287	18		305	" 6, "
Dallas	225	39	30	234	" 5, "
San Francisco	975			975	" 1, "
Total	16,012	493	30	16,475	

DIVISION OF REPORTS AND STATISTICS,
FEDERAL RESERVE BOARD,
February 8, 1917.

FEDERAL RESERVE BANK
OF NEW YORK

R.A.H.
FEB 21 1917

February 10th, 1917.

Dear Governor Strong:

I asked Mr. James Brown to come in yesterday which he did and I explained what you wanted to know in regard to the laws, if any, affecting exports of gold from France. He gave his opinion but afterwards said that he would write either you or us direct, but meanwhile, before writing would talk with the French Commissioner and also would secure information from his own counsel in France. I told him that we had not intended to make him any trouble, but he seemed very glad to do this and you will see, therefore, that it is under way.

Kindly let us know when you are back in Denver and whether we shall continue to advise you daily by wire as to the situation unless it changes.

With my very best wishes, I remain,

Sincerely yours,

R. N. Treman
Treman

Deputy Governor.

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

RHT/VCM

Dictated by Mr. Treman but
signed in his absence.

FEDERAL RESERVE BANK
OF NEW YORK

B.A. Fr.

FEB 21 1917

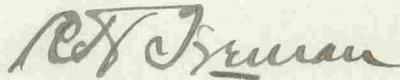
February 13th, 1917.

Dear Governor Strong:

Mr. Sailer has gone to Elmira for to-day and to-morrow to interview from that point various state banks hoping to induce them to come into the Collection System. Mr. McDougal is out with a letter, copy of which I secured from my brother-in-law in Ithaca yesterday and for your information am enclosing. I think we should go to the limit in trying to bring the state banks into the System of their own option and hope that the coercive method will be postponed until the very last moment.

I enclose also list of acceptances held February 12th.

Sincerely yours,



Deputy Governor.

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

RHT/VCM

ENC.

FEDERAL RESERVE BANK
OF NEW YORK

February 13th, 1917.

Dear Governor Strong:

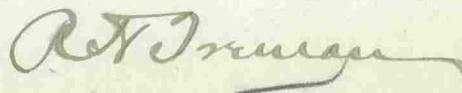
I spent Sunday and Monday in Ithaca where the weather was very cold and clear and bracing so it did me much good and I feel very much better than I have for the past two weeks.

I note that mail has been delayed so it has been wise probably that during the latter part of last week, we sent your mail to Denver. Am very glad to learn that you and Curtis are having such a good rest with fine air and weather. We certainly shall not hesitate to keep you posted and please do not think that we are in any way deceiving you in our telegrams as to actual conditions. It may be that we are having a calm before the storm, people are serious minded and thoughtful but apparently without excitement. Evidently, we will not be plunged into war without very good reason for our going in. Meanwhile, we are living in a period of suspense, not knowing what the day will bring forth but constantly trying to strengthen the breast works of finance so as to be in readiness, and this is being done by the banks generally.

I am sending you copy of a memorandum prepared by Mr. Kenzel for Mr. Jay on Saturday. Possibly, he sent you one, but if not, this will be interesting.

With kind regards, I am,

Sincerely yours,



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

FEDERAL RESERVE BANK
OF NEW YORK

R.A.W.

FEB 21 1917

February 14th, 1917.

Dear Governor Strong:

Yesterday Mr. Morgan telephoned that they were receiving \$25,000,000 of gold and stated that part of it had already been delivered to the Assay Office, but asked if we cared to purchase it and as we had a meeting of our Directors this morning, we thought it a good time to take up the subject of the entire gold accumulation matter.

I reported your suggestion that we should accumulate gold bars now without further delay and as rapidly as we could. The Board authorized me to take the matter up with Mr. Morgan, so Mr. Jay and I called on him this afternoon and told him we would take such portion of the present shipment as he cared to send over to us, but we did not wish to purchase it and leave it stored in the hall or other place in the Assay Office under guard for a week or so pending melting. We further told him that we would be willing, if conditions did not change, to take more from him next week if it was coming in, simply asking that he give us gold bars instead of gold coin whenever he could conveniently.

In the present lot, there is considerable German coin and they propose to weigh one of the boxes to secure its value and then estimate the total amount in the boxes turned over to us, they

2/14/17.

guaranteeing the account, etc., and we paying them 99 %, balances to be adjusted after assaying.

They seemed to appreciate our willingness to assist in this matter and I hope it will result in our accumulating an amount satisfactory. We told them we would be willing to take from \$25,000,000 to \$30,000,000 and they said they felt that this would be all they would want to let us have probably.

Mr. Jay is writing to the Federal Reserve Board to-day asking that the question of re-melting charge be taken up and settled and he had the assurance, as a result of an interview with Mr. Bovee yesterday at the Subtreasury, that he would approve it, all of which is submitted for your information.

Sincerely yours,


Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

February 14th, 1917.

Dear Governor Strong:

Your instructions signed by the Governor and the "Judge" of the bank have been duly received, contents noted and most of them have already been attended to, but I shall hope to-morrow or next day to give you an itemized answer to your instructions so that you will know the present status of them.

As we understand, Curtis will be here on Monday next.

Things are moving along very quietly and we have a government flag hung up in the Nassau Street window as the building organization will not permit us to put out a flag staff as they have one or two flags floating from the top of the building.

I understand that Governor Aiken was in Washington on Monday to confer with Mr. Warburg.

With kind regards, I remain,

Sincerely yours,



Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

B.A.H.

February 14th, 1917.

FEB 21 1917

Dear Governor Strong:

Bank of France.

Mr. James Brown advises us that he has written to France making inquiry as to any and all laws affecting the export of gold and has asked them to cable an answer, provided a satisfactory answer can be given by cable; otherwise, the answer will be mailed. I assume that this will be insufficient time but if not and you think it advisable for us to consult Coudert Brothers, kindly advise us.

Sincerely yours,



Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

February 15th, 1917.

Dear Governor Strong:

I wrote you about a week or ten days ago asking you to return the draft prepared by Mr. Warburg of a proposed letter to be sent to the Banco de la Nacion of Argentina but have not received it as yet. Will you be good enough to have it forwarded as it is needed to complete our files here.

Thanking you in advance, I am,

Sincerely yours,



Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

February 15th, 1917.

Dear Governor Strong:

I met Comptroller John Skelton Williams at the Waldorf last night and had a little talk with him. He asked in an interested way about how you were progressing and seemed pleased that you were improving.

His appointee, Mr. Malburn, is being received with evident satisfaction by the banks in this district.

With kind regards, I am,

Sincerely yours,



Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

B.A.H.
FEB 21 1917

February 15th, 1917.

Dear Governor Strong:

We had another Directors meeting yesterday and the new Class C Director, Mr. Saunders, appeared, was sworn in and attended part of the meeting, all the other members being present.

No change was made in the rates for discounts or acceptances. Boston has raised its rate on acceptances $1/8$ to $1/4$ per cent, but it seems to me that our rates - 3% to $3\frac{1}{4}$ % - and we have bought some acceptances at $3\frac{1}{2}$ % (private bankers), is high enough unless conditions change.

The Committee on Federal reserve bank drafts presented their report and I am sending you a copy of it for your consideration. I had thought that we might have a Governor's Conference in March to take up this question, but Governor Aiken informs me that he talked with Governor Harding concerning this while in Washington and found him distinctly non-enthusiastic about holding these conferences. In that case, we shall probably ask the various banks to submit their views to our Committee and call another meeting of the Committee before the first of April.

We adjourned for two weeks subject to earlier call if conditions changed.

Sincerely yours,



Deputy Governor.

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

New York, February 13, 1917.

To the Board of Directors

of the Federal Reserve Bank of New York.

Your special committee, to which was referred the report of the committee of governors recommending a plan whereby a draft drawn by a member bank upon its Federal reserve bank could be made receivable at par by another designated Federal reserve bank, has given the matter much consideration, and respectfully presents the following report:

At present the great majority of the member banks keep accounts with correspondents in one or more of the large centres, drafts on which they and their depositors use in settlement of accounts due in various parts of the country. As balances with such correspondents will soon cease to count as reserve, some of these members may deem it advisable not to carry such accounts and it is planned to provide country banks and their customers with a method of transferring funds to points where payments are to be made which will be as satisfactory as drafts on correspondents hitherto have been. This may, by elimination of accounts of country banks now kept in the large centres, prove detrimental to the interests of member banks in such centres, but the committee has endeavored to consider the plan with the sole objects of

- (a) making it a practical and effective method of transferring funds for the country banks, and of
- (b) assuring thorough protection to all concerned in its use.

THE PRESENT METHOD OF SETTLING ACCOUNTS.

The method of settling accounts throughout the country may be illustrated as follows:

The merchant at Brownsville, Texas, who buys a bill of goods from

Marshall Field & Company in Chicago on credit, unless it is expressly otherwise stipulated, undertakes to pay Marshall Field & Company in currency, or in a sight draft which they can at once convert into currency on presentation in Chicago. Delivery of the merchant's check upon his local bank is not such a payment. At best, it is a postponement of the payment until the check can be sent to Brownsville and collected and the proceeds transmitted to Chicago. To avoid the delay consequent upon the collection of a Brownsville check, the merchant is accustomed to procure from his local bank a draft upon its correspondent in Chicago which, when remitted to Marshall Field & Company, can be converted into cash at once by them.

THE FEDERAL RESERVE TRANSFER SYSTEM.

Some eighteen months ago the Federal reserve banks undertook to transfer funds for their members from one district to another, either by mail or telegraph. But the member banks and their customers are so much more accustomed to drawing checks than to ordering transfers in settlement of accounts that the present facilities of the transfer system have not been generally availed of. Your committee understands that the plan under discussion is designed to complete the transfer system by enabling a member bank to transfer money to distant points by drawing a draft on its own Federal reserve bank which will effect payment through the Federal reserve bank of the district in which such point is situated. It is in the interest of good business that payments should be made promptly, effectively, and by a method which will be generally acceptable, and to all efforts in that direction the committee wishes to give every assistance.

THE PLAN OF THE GOVERNORS' COMMITTEE.

The plan of the governors' committee is to make the draft of a member bank upon its own Federal reserve bank "receivable" at par when presented

reserve bank to charge the draft to the home Federal reserve bank and collect the amount through the Gold Settlement Fund.

The member bank issuing the draft protects itself by charging the amount to its customer. The reserve bank upon which the draft is drawn protects itself by charging the amount, when advised, against the account of the member bank. The reserve bank at which the draft is receivable at par, although required to allow immediate credit for the amount, protects itself by making this credit tentative until the draft has been collected.

Your committee does not approve the plan without modification because

- (a) The proposed draft would not be an instrument effecting prompt payment, but an instrument postponing payment. Therefore, your committee believes the proposed plan will prove ineffective and cannot be made satisfactory to the country bank unless it is an instrument of actual rather than tentative payment at the Federal reserve bank of the district in which the payment is to be made.
- (b) The receiving Federal reserve bank will have to decide in each case how much credit it will extend to the member bank depositing such drafts. If it curtails this credit, the immediate availability of the draft disappears; if it is compelled by regulations to extend such credit regardless of the strength of the member bank, an element of weakness would be introduced into the system.
- (c) Under section 16 of the Act, each Federal reserve bank has undertaken to perform two services for its members:
 - (1) To assist them in collecting funds (represented by checks) due from distant points:
 - (2) To assist them in transferring funds due to distant points.

The purpose of the plan is essentially a transfer of money under No. 2. Yet the operation of the plan brings it under No. 1, since the draft has to be sent for collection and final payment to the distant point. Your committee considers it an unsound principle for a debtor, in order to make payment, to send his creditor a paper instructing the creditor to send to the debtor's locality and collect the debt.

- (d) The proposal to limit a member bank to not exceeding \$10,000 of such drafts in any one day seems impracticable, since an effective limit can only be placed at the paying end; and it does not seem proper to limit a member bank in drawing on its own funds available for that purpose, or to limit "availability," if the system is to be satisfactory.

SUGGESTED MODIFICATION OF THE PLAN

The plan, to realize its purpose, should be operated under the recognized banking methods of transferring funds. Your committee therefore recommends that it be modified so as to make such drafts payable on advice at any designated Federal reserve bank. This modification would entail two changes:

- (1) That the home Federal reserve bank should advise the paying Federal reserve bank, usually by mail, but by telegraph if necessary, to pay the draft.
- (2) That the paying Federal reserve bank should be ready to assume the responsibility of actually paying the draft on advice.

With this modification, every party to the transaction would be protected - the member bank by charging its customer's account, the home Federal reserve bank by charging the member bank's account, and the paying Federal reserve bank, upon advice from the home Federal reserve bank, by charging the amount to the account of the latter; while the merchant in the district of the paying Federal reserve bank would receive an instrument which would effect for him prompt and actual payment of his account.

Against the modification suggested by your committee the following suggestions are advanced:

- (a) The draft might reach its destination before the advice;
- (b) It is cumbersome;
- (c) It adds to the responsibility and labor of the paying Federal reserve bank.

With regard to (a) your committee believes that the advice would pro-

ceed promptly by the most direct route, whereas probably the great majority of drafts would first go to parties in places other than the location of such bank, would be by them deposited in local banks, and in turn would be forwarded to the paying Federal reserve bank. Were the drafts to be used in the paying Federal reserve bank's city, a day would usually be required for the deposit of the draft and its passage through the clearing house. Should a draft arrive before the advice, either it could be held awaiting the arrival of advice, or instructions could be requested by wire. A member bank, fearing in specific cases, such as direct remittances, that the draft would arrive before the advice, could stamp the advice to its home Federal reserve bank "Please wire."

With regard to (b) your committee believes that advice between Federal reserve banks would not prove cumbersome. The member bank would advise on double slips. One of these advices the home Federal reserve bank would sign and forward to the paying Federal reserve bank. This is a simple transaction frequently used to-day by country banks in instances far more complicated; i. e., in making foreign remittances.

With regard to (c) your committee believes that the responsibility is no more than a reasonable banking risk which must be assumed by Federal reserve banks if the system is to introduce a draft which will satisfactorily take the place of those hitherto used. In the case of the foreign remittances referred to in the preceding paragraph, it is certain that the foreign drafts would not give satisfaction if they were made only tentatively payable at foreign places and had to be returned to some point in the United States for final payment. Probably more drafts would be drawn on the Federal Reserve Bank of New York than on any other Federal reserve bank, and its officers believe that the machinery necessary to pay such drafts on advice would be entirely practicable.

RECOMMENDATION OF COMMITTEE

Your committee recommends that the directors of the Federal Reserve

Bank of New York, desiring to cooperate in every way with the Federal Reserve Board in its effort to provide country banks with a practical and effective method of transferring funds through the medium of their own checks, urge that the plan presented by the governors to the Federal Reserve Board be modified as above recommended so as to make drafts "payable upon advice" instead of "receivable for immediate availability" at the Federal reserve bank of the district in which the payment is to be made.

(Signed) William Woodward
Franklin D. Locke
Pierre Jay
Leslie R. Palmer

Office Correspondence

FEDERAL RESERVE
BANK OF NEW YORK

Date February 16, 1919

To Mr. Treman

Subject: Par list

From J. D. Higgins

District No. 2

<u>STATE BANKS AND TRUST COMPANIES</u>	<u>TOTAL</u>	<u>BANKS CHECKS COLLECTED AT PAR</u>	<u>BANKS NOT COLLECTED</u>
New York	304	190	114
New Jersey	106	105	1
Connecticut	<u>15</u>	<u>15</u>	<u>0</u>
	<u>425</u>	<u>310</u>	<u>115</u>

NOTE: This is the correct total but it does not agree with the Federal Reserve Bulletin because the Corn Exchange Bank and branches were not deducted when admitted to membership. The correction will be shown in the March Bulletin.

FEDERAL RESERVE BANK
OF NEW YORK

February 16th, 1917.

Dear Governor Strong:

Accumulation of Gold.

In accordance with our arrangement with Messrs. J. P. Morgan & Company this bank secured about 150 boxes of German coin Wednesday afternoon, valued at about \$6,000,000 and yesterday took in about 300 boxes of French coin and bars, valued at about \$11,000,000. I assume that we will secure more gold next week as there seems to be a probability of a considerable amount coming in soon.

Would you think it advisable for us to have our coin and bars melted and then for us to take American bars in return to hold?

Sincerely yours,



Deputy Governor.

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

RHT/VCM

Later: Messrs. Morgan & Company will let us have \$12,000,000 more next Tuesday.

FEDERAL RESERVE BANK
OF NEW YORK

February 16th, 1917.

Dear Governor Strong:

I have received your favor of February 10th from Phoenix, Arizona enclosing copy of a letter to Governor Aiken. Also, note that you will send me copy of the letter prepared by Mr. Warburg in re Banco de la Nacion de Argentina.

You may have thought me a very poor correspondent lately, but with Mr. Curtis away, Mr. Jay and I have had our time quite fully occupied so that there has been but little time available to do more than the necessary work which develops from day to day.

With kind regards, I remain,

Sincerely yours,



Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

D.A.H.

February 17th, 1917.

FEB 21 1917

Dear Mr. Strong:

Mr. J. B. Forgan was in again Friday morning going over matters which are to be discussed next Monday at the meeting of the Federal Advisory Council. He took a copy of our Directors report on Federal reserve bank drafts and apparently seemed to be satisfied with the position outlined.

He reported that money was stiffening in Chicago and the West and he looked for higher rates.

Mr. Morgan expects to be present at the meeting in Washington I believe and Mr. Jay has been down at his office going over some of the subjects which will be up for discussion. I hope they may accomplish some good but I learn that the House Committee on Banking and Currency last night laid aside again branch banks and decided to recommend that 6 % instead of 7 % be carried in the Federal Reserve Bank and 4 % instead of 5 % as till money, making a total reserve of 10 instead of 12 %. I assume that now the Senate and House Committees will consider these amendments in joint session.

I hope you have had no ill effects from your Arizona trip.

Sincerely yours,

R. W. Brewster

Deputy Governor.

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

FEDERAL RESERVE BANK
OF NEW YORK

R.A. Fr.

February 17th, 1917.

FEB 21 1917

Dear Governor Strong:

I have yours of February 10th from Phoenix and replying to same beg to say that I hardly think your criticism is entirely just as to the policy of our investments being dictated from Washington. It is true that either by letter or by telephone in talking to Governor Harding or Mr. Warburg (generally the latter), we have stated the policy under which we were working, or have discussed with them our viewpoint which I consider proportionately valuable to me and to the Reserve Board; they thus secure information as to conditions at the financial center and there has been a reciprocal benefit, but frankly, I do not think our procedure has been based upon suggestions from Washington, although we have always taken any suggestions from them into full consideration.

With kind regards, I remain,

Sincerely yours,

R. H. Treman

Deputy Governor.

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

RHT/VCM

Dictated by Mr. Treman
but signed in his absence.

FEDERAL RESERVE BANK
OF NEW YORK

R.A.H.
FEB 21 1917

February 17th, 1917.

Dear Governor Strong:

Remelt Charges.

This matter I have left with Mr. Jay who has consulted with Mr. Bovee and has also written Governor Harding.

It may be of interest to know that we shall have a total of \$30,000,000 of gold in the bank probably next week, this being an assortment of German and French and possibly other coin, together with gold bars. I assume we will have these remelted when convenient to the Assay Office and then unless you think it advisable not to, our plan is to take back, say, \$25,000,000 in American bars to hold so long as it may seem advisable.

Sincerely yours,

R. N. Treman
Treman

Deputy Governor.

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

RHT/VCM

Dictated by Mr. Treman
but signed in his absence.

FEDERAL RESERVE BANK
OF NEW YORK

R.A.W.

FEB 21 1917

February 17th, 1917.

Dear Governor Strong:

Purchase of Bills.

We are holding to our rate of from 3 %
to $3\frac{1}{4}$ %, sometimes $3\frac{1}{2}$ % on private bankers' ac-
ceptances and unless conditions change will prob-
ably continue to purchase in moderate amounts as
offered, but not reach for them.

Sincerely yours,

R. W. Treman
W. H.

Deputy Governor.

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

Dictated by Mr. Treman but
signed in his absence.

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

February 17th, 1917.

D.A.H.
Dear Governor Strong:
FEB 21 1917

We are to-day sending to each of the Governors a copy of the report of our Directors asking that their Directors give same consideration and send to me as Chairman of the Committee their approval or criticisms and any suggestions so that we may have a meeting of the Committee of Governors with Mr. Aiken some time early in March, as we understand Governor Harding does not approve of another Governors Conference just now.

When Mr. Curtis returns, we will go into the matter of a form of bank draft and other matters for more definite action.

Sincerely yours,

R. H. Treman

Deputy Governor.

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

RHT/VCM

Dictated by Mr. Treman but
signed in his absence.

FEDERAL RESERVE BANK
OF NEW YORK

B.A. Jr.

February 19th, 1917.

FEB 23 1917

Dear Governor Strong:

Bank of France.

In re Bank of France matter, I received your letter and sent it over to Mr. Kent on Friday and he has been in to-day discussing the proposals outlined, with Mr. Curtis and me. Later, Mr. George Roberts came in at my request and I have given him the proposed letter and he will return it to us with his comments on Wednesday.

Meanwhile, Mr. Jay left this afternoon for Washington to go over with the Reserve Board the question of our formal application to appoint the Bank of France as our correspondent and informally to arrange with them as to the announcement - when to be made, etc. He hopes to return to-morrow night so that on Wednesday I trust we can begin to frame up the situation definitely.

With kind regards, I remain,

Sincerely yours,



Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

B.A. Jr.

February 17th, 1917.

FEB 21 1917

Dear Governor Strong:

Bank of France.

We have letters in re Bank of France and the proposed arrangement.

Mr. Roberts being out of the city temporarily, I am sending to Mr. Kent the proposals for his consideration and have arranged that he will look them over so we can have them Monday, at which time I hope Curtis will have returned and we can then go over them in detail.

Sincerely yours,

R. W. Treman

Deputy Governor.

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

RHT/VCM

Dictated by Mr. Treman
but signed in his absence.

FEDERAL RESERVE BANK
OF NEW YORK

D.A. Jr. February 17th, 1917.

Dear Governor Strong: FEB 21 1917

The Collection System.

Mr. Sailer was in Elmira and Olean on Tuesday and Wednesday and from these points telephoned to a number of state banks, making some headway with some of them and none with others. Hendricks was in Albany Thursday with about the same result.

Mr. McDougal came out in an article on the Federal Reserve Bank trying to coerce the state banks, but his letter has apparently not had much influence, at least, here in the city, but I assume it has with some of the smaller banks.

I am enclosing a memorandum containing some information concerning banks in the System in this district by which you will note that there are 115 still outside.

Next Saturday, February 24th, Group III is to have its meeting in Elmira and I learn from Mr. Turner that the Committee has invited Mr. McDougal and Mr. Skinner of the State Bank Department and possibly Representative Fowler. I shall try to be present but do not know what I shall be up against but rather expect there will be some radical opinions expressed

in re our collection system. Personally, I am convinced however of the great advantages of our system and that if we have time to work it out its results will be most satisfactory.

Sincerely yours,

A handwritten signature in cursive script, reading "R. H. Treman". The signature is written in dark ink and is positioned above the typed name "Deputy Governor".

Deputy Governor.

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

RHT/VCM

Dictated by Mr. Treman
but signed in his absence.

FEDERAL RESERVE BANK
OF NEW YORK

R.A.W.

FEB 23 1917

February 19th, 1917.

*Carbon
C 261 F 12*

Dear Governor Strong:

Re Bank of England Cables.

Mr. Curtis returned this morning to the bank and we were all very much pleased to have him make so good a report as to your condition and feeling.

I am sorry to learn from him how strongly you disapproved of our sending copies of the cables to Washington. Neither Mr. Jay or I realized from the letter you sent how strongly you apparently felt. I submitted this letter to the Executive Committee at the time it was considered and as Mr. Towne stated that he had agreed to furnish these cables and this being acquiesced in by Mr. Peabody and Mr. Woodward, I felt as did the others that the only thing to do was to submit the copies.

So far as I was concerned, I did not know the detail nor the exact manner in which Mr. Curtis had discussed the matter with Mr. Morgan. I knew, of course, that he had had the interview with him and Curtis showed me the copy of the cablegram which he proposed sending and this matter was all discussed with Mr. Woodward before action was taken, but I think that neither of us realized that it was your great desire and intention to conduct through Mr. Morgan as a personal matter to the extent that Mr. Curtis indicated to-day.

I assume the responsibility and the criticism which I feel is just, when I stated in my letter to Washington that the cable was sent to the Bank of England which was, of course, an error. We have suggested to Curtis to make an exact statement of the different steps which led to the preparation of the cable and the sending of it and also to prepare the kind of letter which he thinks we should send to the Federal Reserve Board in order to keep our records correct, which he will do.

The letter I wrote to Governor Harding acknowledging receipt of his letter of criticism will in no way preclude our sending another communication as I simply acknowledged receipt and stated that the letter had been read to our Board of Directors at their meeting, and I made no further comment or statement concerning it. I assume that the matter will come to our Directors at their next meeting next week and receive their consideration.

You, of course appreciate how sensitive the Reserve Board seems to be over this whole Bank of England matter, and on the other hand, most of our Directors at least feel very strongly as to the treatment afforded the Bank of New York and some of its officers by their action.

This is one of the cases where I personally, of course, feel chagrined that matters are not better handled in your absence and regret sincerely that your appreciation of this fact must cause you more anxiety than I wish it to while you are convalescing.

The fact that Mr. Curtis was the only one familiar with the details of the conduct of this Bank of England matter and his

2/19/17.

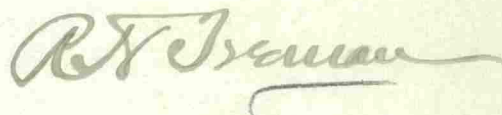
being away at the time the letter from the Reserve Board was received, of course, made it still more unfortunate. However, aside from this matter, I hope that you are not unduly anxious or worried over the situation here as things seem to be going fairly well in most ways and it will not be long now I trust before you will be able to come back and go over important matters yourself.

Once more, let me assure you of the great pleasure we have in hearing such good news of your condition.

Things here are somewhat in suspense but there seems to be a somewhat better feeling in the stock market at the present time and the hope that grows that we may be kept out of war.

My very best wishes to you.

Sincerely yours,



Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

D.A.K.

FEB 23 1917

February 20th, 1917.

Dear Governor Strong:

The officers of the Federal Reserve Bank who are now resident here beg to acknowledge receipt of the report of the Special Committee consisting of Governor Strong and "Judge" Curtis, appointed by themselves to "consider ways and means for preparing the Federal Reserve Bank of New York to render the maximum amount of service to the government and to its member banks."

In considering these suggestions in detail we find that many of them have previously had consideration and provision made for carrying on the work as outlined.

In order that Governor Strong and "Judge" Curtis may be fully informed as to each of the suggestions contained in the memorandum, I beg to enclose herewith a report in detail and hope that same will give some evidence that we are not "asleep on the job" and although we have at times done things which have had to be "condoned" by Washington, we are endeavoring to keep the Reserve Bank of New York in operation as well as it can be done during the absence of the real head.

Be assured that suggestions from you are always welcome and it is our intention to give same full and careful consideration and we have constantly before us, not only the

responsibility but the necessity for making careful preparation in anticipation of any sudden and great demands which might be made upon this bank at any time when an emergency arises.

Respectfully submitted,



Deputy Governor.

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

RHT/VCM

Enc.

REPORT ON EMERGENCY PREPARATION.

1. NOTE SUPPLY: The Federal Reserve Bank has about \$15,000,000 of Federal reserve notes in their own vault, \$55,000,000 in the hands of the Federal Reserve Agent in New York; about \$175,000,000 are all prepared in Washington and instructions had previously been sent to Washington to have printed up to \$600,000,000.

2. DISCOUNT DEPARTMENT: We now have a permanent force of five men; have also trained five extra men for emergencies and contemplate training an additional five men more during the coming month.

3. DISCOUNT DEPARTMENT: We have at present a supply of blanks and forms sufficient for six months normal business, are taking an inventory of all supplies needed in this department and other departments and will provide for an extra supply of forms used most frequently.

4. CREDIT DEPARTMENT: Arrangements had already been made with Mr. Malburn and we have his agreement to supply us with information, particularly as to doubtful banks.

5. MONEY DEPARTMENT: There are eight expert money counters (men) in this department. In December and January when we had some extra heavy work, we called upon six other trained money counters in other parts of the bank and with this force were able to handle 200,000 bills in one day.

Mr. Sailer reports that none of the banks in New York City have a department that can handle half as much money as can this bank.

6. TRANSIT DEPARTMENT: There are 56 persons employed in this department, 46 girls and 10 men. During December and January, they handled an average of 40,000 items a day, a margin in this sufficient to handle one-third more and one day this week we handled practically 63,000 items, closing with a net difference for that day of 30 cents.

7. PHYSICAL SECURITY: (a) Window guards have been promised us for the last three months; we have prodded them from time to time and are now advised that they will be installed within the next ten days, i.e. about March 1st.

(b) We have a night force of five men on duty every night, five men on duty on Saturdays and Sundays and holiday nights. These are distributed as follows: One man in the vault lobby, another on the main floor guarding the rear and front entrances, one on the fifth floor acts as watchman and night porter, one is a night porter giving signals to the Holmes Protective Agency periodically. We have extra men patrolling outside the bank on Pine and Nassau Streets night and day. In addition to our own force, there is an extra special force guarding the United States Treasury across the street. As to day patrol, two men are constantly on duty and we have an extra Holmes man who assists these two. There is also a watchman between 8 A.M. and 5 P. M. at the rear entrance all the time, being relieved at night by the night watchmen.

We have installed a special iron grill and gate at the head of the stairs leading to the basement and vault room, guarded by one man. Another man is assigned to the desk in the vault lobby controlling access into the new vaults, so there is a total of

six men on guard, not including outside patrol. We have ordered uniforms for one man each night and day patrol.

(c) We had been in touch with Police Commissioner Woods' office for extra guards and yesterday Mr. Curtis took up this matter again with Mr. Woods.

(d) Since June 15th, no employees have been taken on unless their antecedents were Americans as far back as grandfathers and have been very careful to select only those who are thoroughly in sympathy with our government and institution.

(e) The rear entrance door is always locked and additional bolts have recently been put on the heavy door. Entrance is obtained only when the guard unlocks and unbolts the door. The matter of our rear entrance has been under consideration of a committee of our Directors and has been under discussion and consideration by our officers.

We had the matter of transit people using fifth floor entrance under discussion yesterday and opinion seemed to be about evenly divided so far as the officers are concerned, but we are to take it up again at an officers meeting soon.

(f) Watchmen have been carefully instructed as to their actions in case of emergency.

8. FOREIGN MATTERS: (a) We have not secured an expert on foreign exchange. Mr. Forgan when here seemed quite emphatic that the reserve banks should not undertake to deal in foreign exchange in competition with member banks.

(b) You are kept informed as to our procedure as to negotiations with the Bank of England and Bank of France.

9. GOLD: (a) As we have advised, we have accumulated about \$18,000,000 of gold coin and bars and expect about \$12,000,000 to-day, making a total of \$30,000,000. I await your advice as to whether we should sell the coin, both German and French, if we have the opportunity or if we deliver same to the Assay Office shall we take and hold American bars, at least, for the present?

(b) Note Issue: We understand the Senate has put this note issue amendment back into their bill and there will be a joint conference of the committees this week. Mr. Jay is in Washington to-day and will probably secure details.

10. EQUIPMENT: We have already arranged with the telephone company to connect our switchboard with a long distance loop which will give us prompt connection with Washington, Boston, Philadelphia, Chicago and Cleveland. The manager of the telephone company is endeavoring to work out a scheme whereby we will receive still more efficient service.

We have also taken up with the Western Union Telegraph Company similar arrangements.

11. ORGANIZATION: We have asked your colleague, "Judge" Curtis, to consider a report upon this matter in detail.

12. DOMESTIC EXCHANGES: We have already taken up with the Clearing House Committee the matter of member banks settling through the Federal Reserve Bank and also as to their removing their charge of 1/40 of 1 %, both of which are under consideration by the Clearing House Committee. The Chairman has assured me that the 1/40 would be removed if we would be patient. After March 4th, when we know more about the amendments, it is our purpose to take up actively the settling of balances through the Reserve Bank.

Daily settlements through the Gold Fund are already contemplated and we are prepared to begin them any time this may be decided upon. If the Federal reserve bank draft matter is settled, it will necessitate daily settlements.

13. GENERAL INSTRUCTIONS: We have already consulted with Mr. Morgan as to state banks and trust companies joining the system and he was of the opinion that it was not yet just the time to attempt this actively. After Congress adjourns and we know what amendments are decided upon and the collection system is a little more clearly worked out, we can then take up this matter more satisfactorily. (Mr. Morgan did not think the Clayton Act was the chief difficulty in the way of their joining.)

This covers the points contained in the report of the Special Committee, but we are glad to have any suggestions at any time.

RHT/VCM

APPROXIMATE AMOUNTS OF ACCEPTANCES BASED UPON CREDITS WITH
RENEWAL PRIVILEGE HELD BY EACH FEDERAL RESERVE BANK AS
PER SCHEDULES ON FILE WITH THE FEDERAL RESERVE
BOARD, FEBRUARY 16, 1917.

(In thousands of dollars)

Bank	Amounts held February 15, 1917.	Bought	Matured	Amounts held February 16, 1917.	Date of last schedule re- ceived.
Boston	743		300	443	February 14, 1917
New York	10,271	285	50	10,506	" 15, "
Philadelphia	2,839		100	2,739	" 15, "
Cleveland	3,638		100	3,538	" 12, "
Richmond	300			300	" 11, "
Atlanta					" 14, "
Chicago	2,064	469	150	2,383	" 13, "
St. Louis	1,808	200	100	1,908	" 13, "
Minneapolis	672	235		907	" 13, "
Kansas City	846			846	" 13, "
Dallas	301			301	" 9, "
San Francisco	911			911	" 9, "
Total	24,393	1,189	800	24,782	

DIVISION OF REPORTS AND STATISTICS,
FEDERAL RESERVE BOARD,
February 16, 1917.

FEDERAL RESERVE BANK
OF NEW YORK

R.A. Jr.

February 21st, 1917.

FEB 26 1917

Dear Governor Strong:

I am enclosing a brief which came in to-day from Governor Seay, it being the work of Charles A. Peple, Deputy Governor of the Richmond Bank.

I hope now to have a meeting of the Committee of Governors between the 1st and 15th of March, depending somewhat upon Governor Fancher's return from Florida.

Sincerely yours,



Deputy Governor.

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

RHT/VCM

Enc.

FEDERAL RESERVE BANK
OF NEW YORK

February 21st, 1917.

R.A.H.
FEB 26 1917

Dear Governor Strong:

Bank of France.

Mr. George Roberts was in to-day and we shall hope to send you to-morrow or Friday our suggestions on the proposed draft of letter for Monsieur Pallain.

We are sending a cable to him to-day, a copy of which is enclosed herein.

I assume Mr. Jay will write you as to what transpired on his visit to Washington and I will speak to him concerning it.

With kind regards,

Sincerely yours,



Deputy Governor.

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

RHT/VCM

Enc.

FEDERAL RESERVE BANK
OF NEW YORK

D.A. Jr.

MAR 3 1917

February 27th, 1917.

Dear Governor Strong:

Bank of France.

I have yours of February 23rd and Mr. Jay has advised you of the Board's action.

To-day, we are sending a cable to Monsieur Pallain and are taking up with the Board the question of the form of announcement, the details of which I think Mr. Curtis will write you.

With kind regards, I remain,

Sincerely yours,

R. T. Hanna

Deputy Governor.

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

RHT/VCM

P. S. Copy of cable sent Monsieur Pallain is being forwarded you by Mr. Curtis.

FEDERAL RESERVE BANK
OF NEW YORK

D.A.W.

February 28th, 1917.

MAR 7 1917

Dear Governor Strong:

I hand you herewith report of the amount of acceptances based upon renewal credits.

I acknowledge receipt of return of draft of letter prepared by Mr. Warburg for our consideration in taking up, if we decide to do so, the establishment of relations with the Banco de la Nacion Argentina. In this connection, while our Executive Committee yesterday decided to defer entering into such relations until after we had established relations with the Bank of England and the Bank of France because of the uncertain condition of matters now prevailing, I still believe that it would be well for you at your leisure to draw up a brief of suggestion as to the extent to which we should enter into relations with this bank and on what basis, so that if later it should seem advisable for us to do so, we could take the matter up without delay.

Sincerely yours,



Deputy Governor.

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

RHT/VCM

Mr. Tracy

APPROXIMATE AMOUNTS OF ACCEPTANCES BASED UPON CREDITS WITH
RENEWAL PRIVILEGE HELD BY EACH FEDERAL RESERVE BANK AS
PER SCHEDULES ON FILE WITH THE FEDERAL RESERVE
BOARD, FEBRUARY 26, 1917.

(In thousands of dollars)

Bank	Amounts held February 24, 1917	Bought	Matured	Amounts held February 26, 1917	Date of last schedule re- ceived.
Boston	493			493	February 17, 1917
New York	10,858		200	10,658	" 23, "
Philadelphia	2,739		75	2,664	" 19, "
Cleveland	3,588		100	3,488	" 17, "
Richmond	750			750	" 23, "
Atlanta					" 16, "
Chicago	2,503		75	2,428	" 17, "
St. Louis	2,568		75	2,493	" 17, "
Minneapolis	907		25	882	" 17, "
Kansas City	846			846	" 17, "
Dallas	480			480	" 16, "
San Francisco	1,825		75	1,750	" 16, "
Total	27,557		625	26,932	

DIVISION OF REPORTS AND STATISTICS,
FEDERAL RESERVE BOARD,
February 26, 1917.

Tracy

FEDERAL RESERVE BANK
OF NEW YORK

D.A. Jr.

MAR 3 1917

February 28th, 1917.

Dear Governor Strong:

Yesterday we had a meeting of the Executive Committee, Messrs. Peabody, Woodward, Jay, Curtis and I being present; Palmer and Towne absent.

We considered suggestions voiced by Mr. Curtis of your combined feeling that our records were incomplete in connection with the Bank of England cables. After a long discussion, it was thought advisable that I should bring the matter up informally this morning before the Board of Directors, stating that I found I had made some mis-statement in regard to the events which led up to sending these cables through Mr. J. P. Morgan, and ask that I might submit at the next meeting a letter correcting this mis-statement, at which time it was thought we could then have the Directors discuss the matter fully.

There seemed to be unanimous agreement, aside from Mr. Curtis, that at the present time it was very unwise to enter into a further correspondence just now in this connection because of the irritation which had developed partly, in my judgement, through their not understanding all the influences which had led to our action in New York and also, in my opinion, because at the present time we should in all fairness, recognize that the members of the Board are not only now, but have been for some months past, under

*Carbon
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2/28/17.

very great tension and pressure. They have had very strong opposition develop in the Congress against the amendments, part of which I think (from what I hear), may be due to strong opposition of some of the small bankers, based on their feeling that the Kitchin Bill would not go through and if so, they felt probably that they would be justified in opposing any and all legislation suggested by the Reserve Board.

Sincerely yours,



Deputy Governor.

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

RHT/VCM

Enc.

FEDERAL RESERVE BANK
OF NEW YORK

R.A.W.

February 28th, 1917.

MAR 3 1917

Dear Governor Strong:

I enclose herewith a letter from E. C. McDougal of Buffalo to the state banks of New York State. He is President of the Association of State Banks and you will note his Executive Committee.

Confidentially, I learn that part of his Committee is not in sympathy with his movement and especially with the formation of a central bank or exchange through which New York state banks can clear.

I thought this might be of interest to you.

Sincerely yours,



Deputy Governor.

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

RHT/VCM

3 Encs.

FEDERAL RESERVE BANK
OF NEW YORK

B.A. Jr.

MAR 5 1917

February 28th, 1917.

Dear Governor Strong:

I am enclosing copy of a letter which Governor Wold wrote in regard to your health and it is only an added argument to mine of this morning concerning the responsibility resting on you to make good in your recovery.

I have to report that Mr. Cann has resigned, he having accepted a position with the Bank of Ottawa as Assistant Manager at a very satisfactory salary, his resignation to take place on March 12th, and we will have to look for a new credit man. Have you any suggestions?

I have yours of February 19th and note your disappointment in the Aiken matter. He and Rhoads are coming over to New York on Saturday and I shall try and have a talk with Aiken at that time.

I have been giving some consideration to your thought of going abroad in June and am led to suggest that you carefully consider whether it would not be more advisable for you to postpone the going abroad even at the risk of having delayed or held up for a time the detail matters of adjustment in the banking relations with France and England until the Fall or Winter, or even late Summer, first, because it would seem to me wiser for you to become acclimated to the change incident to your living in the high altitude of Colorado and then the lower altitude and also, because there are many

things which would need your consideration in regard to the reorganization of the bank here. It seems to me most important that you should be in New York for a while in the Spring or early Summer to assist the bank in a reorganization which will permit you to be free to give consideration to the most important things, among which, is to straighten out our relations with the Federal Reserve Board at Washington and to assist the other Governors in maintaining for the individual banks their proper independence while still contributing in a cooperative way to the development of the System.

You ask my views as to what can be done in case the Aiken matter does not develop satisfactorily, and as I feel at present I should think it advisable to secure some comparatively young man, say 35 to 45, who has had good banking experience, has demonstrated his ability to assume responsibility and to develop so as to take more, have him take my place, testing him out, and if he develops, co-operating with you in the management of the bank. Should he not develop, substitute some one else for him until you find one who has the ability, but if you should desire to be relieved after a few years of the burden, you then could consider being made Chairman and would have available Aiken or Jay or some one of that kind who has had the experience. to be made Governor.

I am inclined to feel that by coming back here to New York in May or early June, remaining perhaps a month or so, it would give you an opportunity to study the situation in New York and Washington and take such steps to straighten out matters which need to be and to develop a permanent organization under the new plan which you

should develop for yourself in a way that would be satisfactory to you, and then go away again for a month or two of rest, after which you could go abroad or stay in New York as seemed best.

Please understand that this is merely an expression of my own personal views and consider them on that basis.

I am giving some thought to a name that might be worth considering in case it becomes necessary to discuss them which we can tell better after a few days.

My very best wishes to you.

Sincerely yours,



Deputy Governor.

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

RHT/VCM

FEDERAL RESERVE BANK
OF NEW YORK

D.A. Jr.

MAR 3 1917

February 27th, 1917.

Dear Governor Strong:

I returned to the bank yesterday (Monday) morning after having spent Washington's Birthday and Friday in Ithaca and attended the meeting of Group III at Elmira on Saturday afternoon, where I met a number of your friends who inquired with much interest as to your progress.

Mr. McDougal of Buffalo gave an address on state banks, making allusion to the better treatment the state banking department gave to state banks in bank examinations and other advantages over those afforded to member banks under the present administration. He further commented on the Federal reserve collection system, stating that he believed every bank had a right to exact a charge for payment of checks on itself presented by mail, etc. I did not think he made as strong an address as I had expected, nor did I think he make a very great impression so far as I could judge.

After dinner, Honorable Charles M. Fowler of New Jersey, held forth for about an hour or so during which he pronounced the enactment of the Federal Reserve Act a stupendous blunder, stated that the Reserve Act was based upon false financial theories, that the only reserve should be gold, that the proper system was a combination of the clearing houses of the country, etc. He, also, failed in my judgement to make any deep and lasting impression on the majority of those present.

Mr. Gregory of Rochester, who will undoubtedly be President of the New York State Bankers Association next year, called on me yesterday and spent about an hour discussing various banking questions, but especially urging that no undue pressure be brought to bear upon the 106 state banks that are not willing to remit at par for their own checks, saying that he believed if we would allow a period of, say, six months to elapse after all reserves were transferred from correspondent banks to reserve banks, that he felt that the majority of those state institutions would be brought over.

As against this, of course, is the feeling on the part of the Reserve Board that we should without much further delay be in a position to afford our member banks a system which will receive and collect items on any bank in our district, at least.

I assume that after adjournment of the Congress and provided that there be no extra session, we shall be in a position to determine the wisest move to make in order to induce the state banks to join the collection system, and also ways and means for inducing trust companies and state banks to come into the System.

In this connection, I saw among others last night at the banquet of the Trust Companies of America, George Allen who is now acting as secretary of the State Bank Section of the American Bankers Association. He has on previous occasions assured me that many of the state banks, especially the larger ones in different parts of the country, were prepared to come into the System after they have secured all they think they can from the Reserve Board. Last night, he told me they were planning to have a large meeting

2/27/17.

of the state banks at the next convention of the A. B. A. at Atlantic City next Fall and that he was trying to prepare a program that would present the reasons for state bank membership and be believed that it would result after that meeting in many banks making the move. He seemed sincere in his belief that it was only a question of time when the leading banks will join.

I sat next to Mr. George Fuller of Milwaukee, who asked about you and spoke of you most pleasantly, as did a number of others, James Speyer and Mr. Alexander among them. It is pleasant to me to see with what satisfaction the favorable reports are received by your many friends.

With kind regards, I am,

Sincerely yours,


Deputy Governor.

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

RHT/VCM