CABLE ADDRESS "WHITECASE"

WHITE & CASE
14 WALL STREET

GBC--KVC B.S.Jr. NEW YORK November 10,1914.

NOV 10 1914

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

Dear Ben:

I have your letter of November 10th. We haven't done anything about looking up the question of the legal method of calculating discounts in this State, because it was my understanding that you were going to send over a memorandum which would describe just what you wanted, and the reason of the difficulty experienced. I said at the time, you will remember, that I didn't know anything about it and wanted to be a little clearer as to the precise point.

Will you have somebody do this and we will be glad to do what we can?

Very truly yours,

Geo. B. Case

CABLE ADDRESS: FARMTRUST.

176

The Farmers' Loan and Trust Company,

16, 18, 20 & 22 William Street,

New York.

EDWIN S. MARSTON, PRESIDENT.
SAMUEL SLOAN, VICE PRES'T.
AUGUSTUS V. HEELY, VICE PRES'T & SEC'Y.
WILLIAM B. CARDOZO, VICE PRES'T.
CORNELIUS R. AGNEW, VICE PRES'T.
J. HERBERT CASE, VICE PRES'T.
HORACE F. HOWLAND, ASS'T SEC'Y.
ROBERT E. BOYD, ASS'T SEC'Y.
WILLIAM A. DUNCAN, ASS'T SEC'Y.
EDWIN GIBBS, ASS'T SEC'Y.

FREDERICK GELLER, ATTORNEY.

BRANCH OFFICES
NEW YORK
475 FIFTH AVENUE.
LONDON
15 COCKSPUR STREET, S.W.
26 OLD BROAD STREET, E.C.
PARIS
41 BOULEVARD HAUSSMANN.
BERLIN
56 UNTER DEN LINDEN, N.W., 7

May 18, 1915.

B. S. Jr.
MAY 20 1915

B. S. Jr.
MAY 2 1915

Hon Banjamin Strong, Jr.,
Federal Reserve Bank of New York,
62 Cedar Street, New York City.

Dear Mr. Strong:-

I am taking the liberty of handing you with this a copy of an address which I delivered before the New Jersey Bankers' Association May 3, 1912, on the general subject "The Desirability of Commercial Paper as a Bank Investment - An Analysis". As this was prepared a long time before the inception of the Federal Reserve Bank Act, I have just a little feeling of pride in that some of the ideas therein expressed were sound enough to be incorporated in the Act itself. I should be very glad if you will accord this a place in your library.

Loose in file

Very truly yours,

J. H. Case

Enclosure.

CABLE ADDRESS: FARMTRUST.

The Farmers' Loan and Trust Company,
16, 18, 20 & 22 William Street,
New York.

BRANCH OFFICES
NEW YORK
475 FIFTH AVENUE.
LONDON
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PARIS
41 BOULEVARD HAUSSMANN.
BERLIN
56 UNTER DEN LINDEN, N.W., 7

May 19, 1915.

B.S. Jr.

MAY 20 1915

B.S. Jr.

MAY 20 1915

Hon. Benjamin Strong, Jr.,
Federal Reserve Bank of New York,
62 Cedar Street, New York City.

Dear Mr. Strong:-

I was very glad of the opportunity of listening to your very able address before the New Jersey Bankers' Association at the opening session last Friday. The stand taken by the Federal Reserve Board and emphasized by you, that all commercial paper to be eligible for rediscount must be predicated upon quick assets having a proper ratio to current debt and the proceeds thereof used for commercial purposes, is, I think, absolutely unassailable; moreover, I believe that this ruling will do much toward standardizing commercial paper and tend to place it on a much higher plane than it has heretofore had.

Very cordially yours,

J H Case

431
X 290
X 290.2

FEDERAL RESERVE BANK

OF NEW YORK

February 10, 1919.

Benj. Strong, Esq.,
The Cluneden,
Lake George, N. Y.

Dear Mr. Strong:

I am in receipt of your letter of the 6th instant relating to the subject of having commercial paper payable at the office of member banks rather than at the office of the commercial paper dealers through whom the notes are sold. This matter was taken up by us, at the suggestion of several of the note brokers; and in order that you may have a complete picture of just what has taken place, I am enclosing herewith a copy of a communication sent to the fifteen commercial paper dealers who were represented at the informal conference held here on January 27th. 1/25/19

When the regulation of the New York Clearing House became effective, on August 1st last, (a copy of which is hereto attached) we adopted the practice of charging one day's extra interest on all commercial paper payable at brokers' offices, which could not be collected or cleared through the exchanges at the clearing house on the day of maturity and, consequently, created one day's "float." When this clearing house regulation became effective I understand that many of the clearing house banks insisted on an allowance, from the note brokers, of an extra day's time upon this type of paper, which has, of course, tended to reduce greatly the volume of such paper offered.

During the past month a number of note brokers have called here to ask if they could not arrange to take up such paper on the day of maturity by means of a Federal Reserve Bank check, which would do away with this extra charge of one day's interest and put all paper sold in the open market on an equal footing.

Upon discussing the subject with the dealers it developed that they considered the matter of having the paper made payable at their offices more or less of a nuisance anyway, and that they would be glad to be relieved of the details connected with the payment of the notes at maturity; further, that they would work to bring about a change that would do away with this practice.

The matter was, of course, discussed among the officers of the bank, and the unanimous opinion was expressed that we should follow the course suggested.

Mr. Ardrey, of the National Bank of Commerce, who was informally discussing clearing house matters with me a few weeks ago, alluded to the clearing house arrangement as to the clearance of notes and bankers' acceptances, and said that the only possible criticism he had to make was purely from a selfish standpoint; that, while this plan enabled his bank to get the payment <u>one day earlier</u> on all paper which they held in portfolio, they, in turn, had to pay, one day earlier, all paper payable at their bank, and that the latter represented a larger amount than the former. I received the impression from him that on the whole he thought the plan a very good one, eliminating, as it does, a large force of messengers heretofore used for presenting notes by hand.

In view of the fact that the dealers have unanimously agreed to bring about a change in this small volume of customers' notes made payable at the brokers' offices, do you still consider it desirable to talk with Mr. Alexander about it? I shall await an expression of your views on Friday.

Very truly yours,

J H Case

Deputy Governor.

This method of collection has been followed I understand by several other Clearing House Centers for a number of years. BS

JHC/HAB
Encs. (2)

This article is protected by copyright and has been removed.

The citation for the original is:

"J. Herbert Case is Dead at 99; Headed Federal Reserve Here." The New York Times (New York, NY), August 5, 1972.

S-20

Night Letter } Plainfield NJ
~~prepay~~ prepay

Feb 19 1920

Benjamin Strong
Phoenix Natl Bank
Phoenix Arizona

Have attended to all matters referred to in your recent letter. — 2/1/20

Understand from Day that you have accepted reservations on S.S. Nile sailing April tenth rather than to sail March thirtieth on Korea Maru. stop. Will forward introductions and other papers in a day or two. stop

Directors have appointed Committee on New Deputies. ~~Jay and I~~ ~~are inclined to recommend the~~

~~appointment of the men suggestion~~

~~the~~ following in order named
are the most promising suggestions
Arthur M. Harris, Ray Morris
J.Y.G. Walker Edwin G. Merrill ~~STOP.~~
Cross of Nat City Bank formerly
deputy Kas City Bank, Professor
Kemmerer of Princeton and
Kengre also suggested STOP.
Farnum not highly spoken of
by Federal Reserve Boston
they are also in market to
replace Spencer who
goes ~~with~~ First Natl Boston
April first STOP. May I have
your frank views on the
foregoing ~~promptly~~ so that we

also your opinion as to desirability
of appointing two of these men #
~~[illegible]~~
~~[illegible]~~ Everything
progressing well at the Bank
Hope you are enjoying camping
trip Jay joins me in
sending best regards
Case

in order
that we may fully round out
our organization at the top.
Stop.

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

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

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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

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

RECEIVED AT 20-22 NORTH CENTRAL AVENUE, PHOENIX, ARIZONA

1920 FEB 20 PM 5 24

A253S 63

Q NEWYORK NY 628P 20

BENJAMIN STRONG

482

PHOENIX NATIONAL BANK PHOENIX ARIZ

DISLIKE TO BOTHER YOU ABOUT PERSONAL FACTOR SO STRONG SUBMIT FOR SUGGESTIONS AS TO PROCEDURE STOP LETTER VAN DER REST BRUSSELS REFERRING YOUR VISIT AND PERSONAL KNOWLEDGE DESIRES YOUR INTERVENTION WITH BOARD BEHALF FAVORABLE CONSIDERATION ONE YEAR EXTENSION THEIR FIFTY MILLION CONSORTIUM ACCEPTANCE OBLIGATION STOP SUGGESTS ALSO YOUR TELEGRAPHING THEIR AMBASSADOR WASHINGTON AND REQUESTS ABSOLUTELY CONFIDENTIAL TREATMENT UNTIL FURTHER NOTICE STOP WIRE ME

CASE.

Given File

WESTERN UNION TELEGRAM

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.

NEWCOMB CARLTON, PRESIDENT GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

RECEIVED AT 20-22 NORTH CENTRAL AVENUE, PHOENIX, ARIZONA

A38S 176 NL 1/82

1920 FEB 20 AM 4 14

V PLAINSFIELD NJ FEB 19

BENJAMIN STRONG 781

PHOENIX NATL BANK PHOENIX ARIZ

HAVE ATTENDED TO ALL MATTERS REFERRED TO IN YOUR RECENT LETTER UNDERSTAND FROM DAY THAT YOU HAVE ACCEPTED RESERVATIONS ON US NILE SAILING APRIL TENTH RATHER THAN TO SAIL MARCH THIRTIETH ON KOREA MARU STOP WILL FORWARD INTRODUCTIONS AND OTHER PAPERS IN A DAY OR TWO STOP DIRECTORS HAVE APPOINTED COMMITTEE ON NEW DEPUTIES STOP THE FOLLOWING IN ORDER NAMED ARE THE MOST PROMISING SUGGESTIONS ARTHUR M HARRIS RAY MORRIS J Y G WALDER EDWIN G MERRILL STOP CROSS

NATIONAL CITY

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

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

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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

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

RECEIVED AT 20-22 NORTH CENTRAL AVENUE, PHOENIX, ARIZONA

A38S SHEET 2/94

BANK FORMERLY DEPUT KANSASCITY BANK PROFESSOR KEMMERER OF PRINCETON AND KENZEL ALSO SUGGESTED STOP FARNUM NOT HIGHLY SPOKEN OF BY FEDERAL RESERVE BOSTON THEY ARE ALSO IN MARKET TO REPLACE SPENCER WHO GOES WITH FIRST NATIONAL BOSTON APRIL FIRST STOP MAY I HAVE YOUR FRANK VIEWS ON THE FOREGOING ALSO YOUR OPINION AS TO DESIRABILITY OF APPOINTING TWO OF THESE MEN IN ORDER THAT WE MAY FULLY ROUND OUT OUR ORGANIZATION AT THE TOP STOP EVERYTHING PROGRESSING WELL AT THE BANK HOPE YOU ARE ENJOYING CAMPING TRIP JAY JOINS ME IN SENDING BEST REGARDS

CASE.

FEDERAL RESERVE BANK

OF NEW YORK

February 21, 1920.

Dear Mr. Strong:

I was very glad indeed to receive your recent letter and to know that you are about to embark on horseback for a six weeks' camping trip. I judge from this that you are feeling physically fit and I certainly hope that the trip will do you good and that you may get a good deal of fun out of it. I shall never forget a month that I spent in the Colorado Rockies a few years ago. It is still a very pleasant thing to look back upon.

As this is my first letter to you since you went away you will see that I have taken you at your word and have avoided troubling you so far as possible with matters that relate to the operations of the bank.

As I indicated in my night wire to you Thursday, everything thus far is running along smoothly here at the bank although, as contrasted with the war period, there are many widely divergent views as to what the policy of the Federal Reserve System should be.

A week or two ago our directors appointed a sub-committee on new officers and I wired you Thursday night the names of several possibilities. The committee feels that, just as soon as practicable, the organization should be further strengthened at the top. In this view Mr. Jay and I concur. We both felt, however, that we would like to have your reaction on the names that were under discussion.

I was obliged to send you a further night letter yesterday reporting the substance of a communication just received from Mr. Van de Rest, governor of the National Bank of Belgium with regard to the maturity of the $50,000,000 Belgian acceptance credit in June, in which he asked if you would be good enough to negotiate with the Federal Reserve Board the matter of a one year renewal. The tone of the letter rather implies that it would be exceedingly embarrassing to Belgium to retire these obligations at maturity. I assume that I shall hear from you on this in due course.

The certificate of indebtedness program is in good shape. The Treasury has retired all outstanding loan certificates and has at present only the following four issues of tax certificates outstanding, March 15, $847,627,000; June 15, $728,130,000; September 15, $657,469,000; December 15, $703,026,000, making a total of $2,936,252,000.

Mr. Leffingwell contemplates that by the end of the year the amount of these certificates will be reduced to at least $2,250,000,000. Mr. Leffingwell states the Treasury will retire on March 15, on receipt of taxes, the $847,000,000 of certificates then due and will also pay off the $125,000,000 War Finance Corporation bonds due April 1. A most encouraging program.!

Mr. Leffingwell thinks that between now and June 15 it will be necessary for him to float only $500,000,000 of new certificates, all to mature on March 15, 1921, as follows: $300,000,000 to be dated March 15; $100,000,000 dated April 15 and $100,000,000 dated May 15.

I made inquiry a day or two ago of twelve of our largest institutions as to the secondary distribution of all outstanding certificates purchased by them. I found that of the total subscription, aggregating $816,000,000 to the four issues, they now have on hand but $214,000,000, or practically 26%, the balance of 74% having been distributed to their customers.

There has been, however, during the past week, some $50,000,000 of certificates overhanging the market which the owners would like to sell on some basis, even though this would involve selling them under par. My own view was that as the Treasury was practically out of the market it would facilitate the distribution to the ultimate consumer if they were now freely traded in, even though they were sold at a slight discount. The Treasury Department, however, has frowned upon this and think they see in it some scheme to compel them to pay 5% (a perfectly proper rate for the $300,000,000 which they expect to borrow on March 15.)

Mr. Leffingwell continues to hold the fort against all comers with respect to his general view on the rate question. Ithink it likely that our present rate of 4 3/4% on certificates will shortly be fixed at a higher point. The pressure upon our member banks and upon us for credit continues unabated. It appears to be greatest among the strictly commercial banks and many of them have been obliged to borrow here sums largely in excess of their capital and surplus and not infrequently sums considerably larger than the amount they contribute to the common fund in the way of reserve deposits. I am convinced that the group of banks up-town conduct their business very unscientifically, sending out solicitors during a period of easy money to invite all the new borrowing accounts they can get and then fail to make any appropriate record as to the amount of money they are obligated to loan, so that at times they find themselves quite surprised and embarrassed by the extent of their commitments. I am discussing this phase of the subject with the officers of the up-town banks and in addition to obtaining their closer cooperation am requiring in many instances additional collateral from them. Our present reserve is but 37%, or, after setting aside 40% on notes, our reserve on deposits is about 33%.

Our information is that during the past six weeks there has been a curtailment of our export business to the extent of 20% to 25% and there is a good bit of evidence that the rise in discount rates is beginning to make itself felt, and, in my opinion, within the next 60 or 90 days we shall see the credit situation in a better position and under more effective control.

There has been a real liquidation in the total aggregate of stock exchange loans. The reduction is now somewhat more than 20% from the extreme high point.

The exchange of definitive for the temporary Liberty Loan bonds is to be made beginning with March 15. I anticipate we shall have a good bit of activity in that department.

Governor Passmore will retire as governor of the Philadelphia bank on March 1 to become president of the Bank of North America, Philadelphia.

Mr. Jay has no doubt informed you that we have selected as counsel, Mr. Edward H. Hart, who has been for some time associated with the Treasury Department. He comes with us on March 1 and I hope will prove to be the right person.

On receipt of your letter from Mr. Hartley Withers of the "London Economist"

I took up with Reuters the matter of transmitting our weekly statement to that paper in the form suggested and they have agreed to the program mentioned.

This gives you a bit of the current gossip about the office.

With respect to your trip through the Orient I am taking care of the details set forth in your letter of February 1.

Mr. Hamaoka has resigned as Superintendent of the New York Agency of the Bank of Japan to return to Tokio and act as Superintendent of all Agencies of the Bank, and he has been succeeded by Mr. N. Nagaike who was recently introduced to us by Mr. Hamaoka. The latter is at present away from New York and I am therefore arranging with Mr. Nagaike to notify the Bank of Japan of your visit and to send you a letter to them. I will also notify the Bank of Japan direct.

Regarding our relations with de Javasche Bank, I have prepared a summary of our agreement with them which was negotiated with Mr. Van der Berg with whom, I believe, you are acquainted. I will also send you a brief resumé of our operations under this agreement.

I have written to Mr. Bedford of the Standard Oil Company, who is just now at Pinehurst, and to the three American banks with branches in the Orient (Asia Banking Corporation, International Banking Corporation and Park Union Foreign Banking Corporation) with whom we are transacting the silver business, requesting letters of introduction for you, and I will assemble them and all other papers desired, forwarding them to you presently in one packet, sending at the same time several copies of our last Annual Report and that of the Federal Reserve Board.

As you are aware, we have been in touch with Day of the San Francisco bank regarding passage on the Jap line. Through the good offices of Mr. Nagaike we were able to reserve a de luxe cabin on the "Korea Maru" which was scheduled to sail March 30. However Mr. Day wired us on February 11 that it would not be convenient for you to sail as early as March 30 and that you would use the reservation previously made for you on the steamship "Nile", sailing April 10.

Personally, I am sorry that you could not use the reservation on the "Korea Maru", as I am inclined to think you would have found it more comfortable. Mr. Nagaike told me yesterday that Mr. Vanderlip, Mr. Alexander and one or two other New York bankers were contemplating a trip to Japan, sailing from Seattle, the early part of April and that through some of his Japanese friends he was making the necessary hotel reservations in Japan. If I can ascertain any additional information with regard to the plans of these gentlemen, I will let you know.

My only excuse for making this letter so long is that it is the first one I have penned you since you went away. I hope that your camping trip has proved to be a great success and that you will come out of it much refreshed and ready to enjoy your trip to the Far East.

I am mighty glad to know that you have had Mr. Miles and your son Ben as company on this jaunt. I have been careful to see that their names were mentioned in all the letters of introduction which I have obtained.

Very cordially yours,

J H Case

Benjamin Strong, Esq.,
Phoenix National Bank,
Phoenix, Arizona.

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT

RECEIVED AT
20 BROAD STREET
ALWAYS OPEN
NEW YORK CITY
PHONE: 1278, 1279 RECTOR

TELEGRAM

DELIVERY No. M03

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

This is a fast Day Telegram unless otherwise indicated by signal after the number of words:—"N. L." (Night Lettergram) or "Nite" (Night Telegram). 16—28436

ATTENDED TO
FEB 25 1920
OFFICERS DIV.
By

16 SD 31 COLLECT GOVT EXTRA

SD WASHINGTON D C FEB 24 1920

BENJAMIN STRONG

FEDERAL RESERVE BANK NEWYORK

PLEASE REQUEST YOUR SON TO FORWARD COMMERCIAL LETTERS TO ACCOMPANY PASSPORT APPLICATIONS HE WAS INFORMED OF THIS REQUIREMENT SEVERAL DAYS AGO IN THIS DIVISION

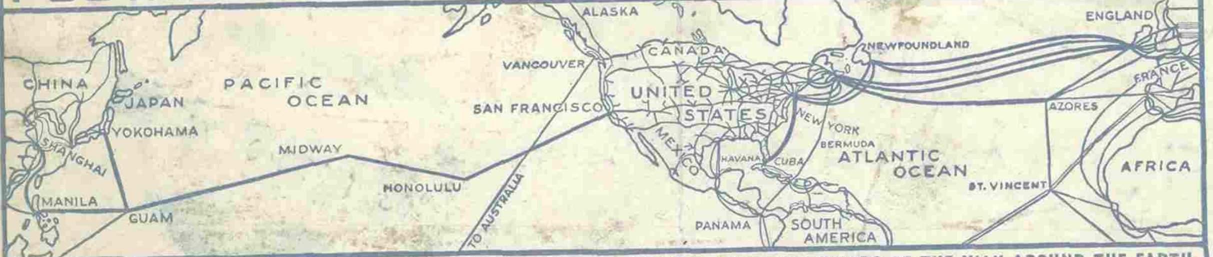
CHARLES K WELSH ACTING CHIEF DIVISION OF PASSPORT CONTROL

506 PM

FEB 24 6 03 PM 20

POSTAL TELEGRAPH-COMMERCIAL CABLES

OPERATOR'S NOTATIONS,
TIME SENT, ETC.



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THE POSTAL TELEGRAPH-CABLE COMPANY (INCORPORATED)

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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 OBSCURE TELEGRAMS.

2. In any event the Company shall not be liable for damages for any mistakes or delays in the transmission or delivery, or for the non-delivery of this telegram, whether caused by the negligence of its servants or otherwise, beyond fifty times the REPEATED telegram rate, at which amount this telegram, if sent as a REPEATED telegram, is hereby valued, unless a greater value is stated in writing hereon at the time the telegram is offered to the Company for transmission, and an additional sum paid or agreed to be paid based on such value equal to one-tenth of one per cent. thereof.

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

4. Messages will be delivered free within the established free delivery limits of the terminal office. For delivery at a greater distance a special charge will be made to cover the cost of such delivery.

5. No responsibility regarding messages attaches to this Company until the same are presented and accepted at one of its transmitting offices; and if any message is sent to such office by one of this Company's messengers, he acts as the agent of the sender for the purpose of delivering the message and any notice or instructions regarding it to the Company's agent in its said office. Messages sent to the Company's office by private wire or telephone are sent at the sender's risk of errors or failures in such service and all of the terms and conditions herein shall apply to the message throughout.

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. It is agreed that prompt and correct transmission and delivery of this message shall be presumed in any action for recovery of tolls therefor, subject, however, to rebuttal by competent evidence.

8. The above terms and conditions shall be binding upon the receiver as well as the sender of this telegram.

9. 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 foregoing terms.

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

CLARENCE H. MACKAY, PRESIDENT.
EDWARD REYNOLDS, VICE-PREST. AND GENERAL MANAGER.
CHARLES C. ADAMS, VICE-PRESIDENT.
CHARLES P. BRUCH, VICE-PRESIDENT

CLASSES OF SERVICE

FAST DAY TELEGRAMS. A full rate expedited service.

NIGHT TELEGRAMS. Accepted to be sent during the night and delivered not earlier than the next ensuing business day, at reduced rates but in no case for less than twenty cents tolls for a single message.

SPECIAL TERMS APPLYING TO NIGHT MESSAGES. The 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.

NIGHT LETTERGRAMS. 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 a 10-word day message shall be charged for the transmission of a night lettergram containing 50 words or less, and one-fifth of the standard day rate for a 10-word day message shall be charged for each additional 10 words or less in such night lettergram.

SPECIAL TERMS APPLYING TO NIGHT LETTERGRAMS. In further consideration of the reduced rate for this special "Night Lettergram" service, the following special terms in addition to those enumerated above are hereby agreed to:

(a) Night Lettergrams 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 Lettergrams at destination, postage prepaid.

(b) Night Lettergrams shall be written in plain English. Code language is not permitted.

(c) The 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.

THE FASTEST TELEGRAPH SERVICE IN THE WORLD

FEDERAL RESERVE BANK

OF NEW YORK

March 10, 1920.

Dear Mr. Strong:

I have assembled the data which you requested in your letter of February 1, in connection with your trip to the East.

Mr. Nagaike, successor to Mr. Hamaoka as New York Representative of the Bank of Japan, has sent word to his bank that you are sailing via the Pacific on April 10, and will visit Japan, and has also sent us a letter of introduction for you to present to the Bank of Japan. I have notified the Bank of Japan of your visit direct, and enclose a letter of introduction for you to them, together with Mr. Nagaike's letter. I have also advised the Javasche Bank and enclose a letter of introduction to them. The three banks which are handling the silver business for the Treasury, and the Standard Oil Company of New York, have given us letters of introduction to their people in the East for you to carry with you.

I am sending you two copies of the Federal Reserve Board's Annual Report. As our own report for 1919 has not yet come back from the printer I am unable to enclose it with this letter, but understand it will probably be ready in time to be sent out when your son, Ben, leaves, the latter part of this month.

Thinking that you might desire to cable us confidentially, we have prepared a set of test numbers, and enclose copy of Bentley's Code, which you may want to take with you.

You will find with this letter the following enclosures:

1. Letter of introduction from Mr. Nagaike to the Bank of Japan.

2. Letter of introduction from us to the Bank of Japan.

3. Letter of introduction from us to the Javasche Bank.

4. Letters of introduction from the Guaranty Trust Company to their managers in the East. (These were furnished in lieu of letters from the Asia Banking Corporation.)

5. Letters of introduction from the International Banking Corporation to their Eastern branches.

6. Letters of introduction from the Park Union Foreign Banking Corporation to their Eastern branches.

7. Personal letter to you from Mr. Pratt of the Standard Oil Company of New York, and letters of introduction to their Eastern managers.

8. Summary of Bank of Japan agreement.

9. Summary of Javasche Bank agreement.

10. Summary of Special Silver Agreement.

11. Two copies of Federal Reserve Board's Annual Report.

12. Test numbers and Bentley's Code.

Very truly yours,

JHCase

J. H. Case,
Acting Governor.

Benj. Strong, Esq.,
c/o Phoenix National Bank,
Phoenix, Arizona.

Trip 1920

March 11, 1920.

Dear Mr. Strong:

I have your letter of March 1, in which you enclosed a letter from your son Ben's old room-mate at Princeton, who signs himself "Doug." I agree with you in all you say regarding the desirability of having in the bank more men of this type, men with good education, manners and blood. From your letter I note that you have asked him to call on me, and when he comes in I shall be glad to do the necessary.

This morning I talked the matter over with Mr. Gilbart, who is only too glad to cooperate in this regard. Personally, I strongly advise that a man of this type be used as a supply man and shifted around to the various departments. If he were to spend a few months each in the foreign, loan, bill, and investment departments, and acquaint himself with some of the operations of the bank, it would be a desirable thing.

Copy on File ch. Douglas

I sent you, yesterday, by registered mail, all of the letters of introduction for which you asked, and I am enclosing with this a copy of my letter, for your information.

I am glad to know that you are having a good rest and that you have enjoyed your camping trip in the woods.

Sincerely yours,

Benj. Strong, Esq.,
C/o Phoenix National Bank,
Phoenix, Arizona.

JHC HAB
Enc.

FEDERAL RESERVE BANK

OF NEW YORK

March 16, 1920.

Dear Mr. Strong:

I had a very satisfactory talk, last Saturday, with young Edward Douglas and learned at first hand just what is in his mind with regard to his entering the banking field. He is a very pleasant young fellow to meet; and after I had chatted with him a bit I turned him over to Mr. Gilbart, with whom I had previously had a few words. You will be interested in Mr. Gilbart's report to me, which is as follows:

> "Mr. Edward Douglas, whom I interviewed at your request on Saturday, made a most favorable impression. He is by far the best of all the young college men whom I have had the pleasure of interviewing. In my opinion, he possesses the fundamental qualifications essential for success in banking - strong character, cautiousness, firmness, determination, an affable manner, and more than average intelligence.
>
> "Although we have been paying college men $1,200 a year to start, (most banks pay from $900 to $1,200) I felt that he, being of superior type, was entitled to a little higher remuneration and, therefore, offered him $1,500, which he said was entirely satisfactory.
>
> "He has a few matters in Troy, N. Y., which he would like to settle before coming to the bank, and we therefore set June 1 as the starting date.
>
> "He had no difficulty in passing our physical examination. When he reports, I will see that he is properly taken care of and will so arrange it that he will have an opportunity to work in all of the important departments."

We have been having some extremely interesting days here at the bank, and I will just mention one or two of the "high spots."

TREASURY OPERATIONS:

The Treasury Department redeemed, yesterday, some $850,000,000 of tax certificates, about one-third of which was paid at this office. As a result of this operation, our member banks temporarily increased their reserve balances $140,000,000, paying off approximately $50,000,000 in loans. The other side of the picture is that we had a temporary overdraft of the Government for $125,000,000, with an increase in float items (exchanges of about $65,000,000). The Treasury is offering, as of March 15, a new issue of certificates, which will run for one year, at 4 3/4%, with the hope of selling about $350,000,000.

Mr. Leffingwell, who spent Monday, March 8, with us at the bank and talked with a number of members of the old Liberty Loan Committee, was advised to make the rate 5%. This suggestion was also conveyed to Secretary Houston some two or three weeks ago at a dinner tendered him by Mr. George Foster Peabody. However, Mr. Leffingwell argued that, by reason of the vacuum created by paying off so large an amount as $850,000,000 on March 15, there would be automatically created a demand for the comparatively small amount he desired to sell. It rather appears, at this writing, as though he had misjudged the market. Our subscriptions are but $55,000,000, or one-third of normal, which, I understand, is approximately true of other districts. Personally, I am very sorry that he insisted upon the 4 3/4% rate in the face of the almost unanimous opinion expressed to him here, that a higher rate was imperative. I think, however, that he had a jolt of this sort coming to him. The total subscriptions for the whole country approximated but $150,000,000.

GERMAN GOLD ACCOUNT:

On March 12 we made a final payment, amounting to $2,541,903.17, to the United States Grain Corporation, which represents the balance due them on the German Gold Account. Up to this writing we have received in London gold representing a total value of $173,000,000, of which some $60,000,000 has been sold, leaving a balance of $113,000,000 with the Bank of England. Expenses incurred by the Bank of England, de Nederlandsche Bank and the Federal Reserve Bank of New York amounted to $319,966.47 and $563,900.55, the latter amount being one-half of one per cent. of the value of the gold still with the Bank of England, which is withheld here in Suspense Account to cover the cost of moving the gold to New York, should it be found ultimately necessary to do so. A very recent estimate from the Bank of England was but one-quarter of one per cent., but our directors, the Grain Corporation people and the Federal Reserve Board all felt it was desirable to make an allowance sufficient for emergencies. It is expected that if this money is not used, by reason of the gold being sold in London, it will eventually be returned to the Grain Corporation or the German Government. You may be interested in the enclosed photostat statement of this account, as of March 11, 1920.

BANK OF JAPAN:

The Bank of Japan agreement was signed a week or so ago, and they are to make their first deposit, amounting to $20,000,000, with us to-morrow, March 17; four-fifths of this amount, I understand, is to be immediately invested in bills. Under present conditions we will welcome the opportunity of putting that amount of bills in their portfolio.

\- 0 -

Our earning assets during the latter part of February reached a new high level - a total of $1,148,000,000 as of February 27. The pressure for credit has continued unabated, although during the last few days we have had some evidence that the situation is getting under control. During the period between January 2 and March 6, the net deposits of our city banks were reduced from $5,422,000,000 to $4,904,000,000, a decrease of $518,000,000. This large reduction was financed by withdrawing about $280,000,000 from their street loan account, by increasing their borrowings here $60,000,000, and by liquidating $180,000,000 of other assets. A net reduction of about 25% has taken place in the total amount of street loans.

March 18, 1920.

It has been interesting to observe the comments and criticisms stirred up by reason of the recent export of the comparatively small amount of gold to South America. I am glad to say, however, that the opinion is quite general that if we are actually to be a real, financial center and not a make-believe one, we should not be disturbed by a reasonably free movement of gold in and out of this market.

Argentine has fifty-millions of bonds maturing here on May 15, which amount is likely to be paid and will absorb a considerable part of any surplus funds she has in New York. The recent announcement that Great Britain and France are to pay off the $500,000,000 of Anglo-French bonds maturing next October, has had a wholesome effect. In spite of the load she is carrying, one cannot fail to recognize from time to time that Great Britain continues to "have her nerve with her," and knows just when and how to make an announcement that will be beneficial.

I observe on the Dow-Jones news-sheets of yesterday a statement of gold imports and exports, set up on a monthly comparative basis, from January, 1914, to January, 1920. I am enclosing this for your information.

Beginning March 15 we have had great activity in our Bond Department, due to the exchange of temporary for definitive bonds. Mr. Sailer tells me that on Monday, on the 24th floor alone, the transactions cleared aggregated over six hundred million dollars. We had a meeting of the Building Committee yesterday; and while progress in our plans seems somewhat slow, I am sure that some headway is being made towards whipping the plans into good shape. So much for the gossip of the office.

I am enclosing with this what I consider a rather interesting extract from a pamphlet published in the London Magazine in the year 1767, entitled "Thoughts on the Causes and Consequences of the Present High Price of Provisions." While this was written more than 150 years ago, it really applies with equal force to conditions at this time. The fact is, it is written somewhat better than most of our articles dealing with economic subjects of the present day.

The Dow-Jones news-sheets of March 17th report that you are to sail for Japan very soon and that Mr. F. A. Vanderlip and party will leave for the Orient within the next ten days, as the guests of representatives of the Japanese Government. A memorandum of this announcement is enclosed.

I am glad to know that you have so thoroughly enjoyed your camping trip and that you are feeling fit for your visit abroad. I sincerely hope you and your party will have an ideal time in every respect and will return home in due course, ready to "eat 'em alive."

Cordially yours,

JHCase

Benj. Strong, Esq.,
C/o Phoenix National Bank,
Phoenix, Arizona.
Encs.

FINAL STATEMENT - GERMAN GOLD ACCOUNT

March 11, 1920.

DR.

FINAL OUT-TURN O[illegible] GOLD FROM

B[illegible]SELS

29[illegible],000,000	Marks, melted and assayed	Fine Ozs.	3,330,220.731
680,000	Sovereigns, Exchange of	" "	159,842.215

AMSTERDAM

21,837	Kilos bar gold	" "	701,991.850	
874,481	Sovereigns, Exchange of	" "	205,675.960	
14,130,630	Marks, " "	" "	162,318.937	
10	Foreign Coins	" "	2.229	
305,869,370	Marks,	" "	3,510,364.720	
18,300,000	Austrian Crowns	" "	179,064.322	
5,500,000	Russian Roubles	" "	136,270.949	
	Total	" "	8,385,751.913	@$20.67183462 =$173,348,876.71

CR.

ADVANCES TO OR FOR A/C OF U. S. GRAIN CORPORATION

Aug. 8, 1919	Payment to U.S.Grain Corporation	$85,258,303.90	
11, 1919	" " " " "	4,372,627.35	
16, 1919	" " " " "	4,372,285.02	
18, 1919	" " " " "	4,372,182.32	
20, 1919	" " " " "	1,624,601.41	
20, 1919	" " Guaranty Trust Co.a/c Com.for Relief in Belgium	2,747,478.21	
25, 1919	" " " "" "" " ""	4,371,703.06	
Sept.12, 1919	" " " "" "" " ""	42,880,818.73	
12, 1919	" " U.S.Grain Corporation	8,231,905.80	
12, 1919	" " " " "	1,386,406.24	
Dec. 8, 1919	" " " " "	10,304,794.48	
	Total - - - - - - - - - - - - - - - - -		$169,923,106.52

CHARGES FOR EXPENSES, etc.

Expenses paid by Bank of England

Freight	£22,269:19: 3		
de Nederlandsche Bank's charges for packing & transmission to Hook of Holland and Personal expenses Bank of England's representatives	5,491: 8: 7		
National Bank of Belgium charges for packing and transmission to Antwerp and Personal expenses Bank of England's representatives	1,501:13: 3		
Melting and Assay charges	12,125:15: 1		
Miscellaneous	792: 6: 8		
Total - - - - -	£42,181: 2:10	@$3.688147211=$ 155,570.26	

de Nederlandsche Bank's charges

Custody	Glds.88,450.48 @ 37 15/16¢	=$ 33,555.90	

Federal Reserve Bank's out-of-pocket Expenses

Insurance - - - - - - - -	$ 126,725.30		
Gov. Strong's expenses in Europe - - - - -	1,997.12		
Mr. Fred I. Kent's expenses in Europe - - - -	1,000.00		
Cable costs - - - - - - - -	1,117.89		
Total - - - - - - - - - - - - - - - - - -		$ 130,840.31	
Total charges for Expenses -			319,966.47
Amount withheld to cover cost of moving gold to N. Y., namely 1/2% of $112,780,109.84 -			563,900.55
BALANCE DUE U. S. GRAIN CORPORATION - - - - - - - - - - - - - - - - - - -			2,541,903.17
			$173,348,876.71

Total value German gold -	$173,348,876.71 = (8,385,751.913 fine ozs.)
Amount sold to date -	$ 60,568,766.87 = (2,930,014.098 " ")
Balance with Bk. of England-	$112,780,109.84 = (5,455,737.815 " ")

Copy of article published in the London Magazine
in the year 1767.

Extract from a Pamphlet Entitled
"Thoughts on the Causes and Consequences
of the
Present High Price of Provisions."

According to this writer, "The present high price of provisions arises principally from two sources; the increase of our national debts, and the increase of our riches; that is, from the poverty of the public and the wealth of private individuals.

Whoever remembers the many millions annually borrowed, funded and expended, during the last war, can be under no difficulty to account for its increase. To pay interest for these new funds, new taxes were every year imposed, and additional burdens laid on every comfort, and almost every necessary of life, by former taxes, occasioned by former wars, before sufficiently loaded. These must unavoidably increase the prices of them, and that in a much greater proportion than is usually understood: For a duty laid on any commodity does not only add the value of that duty to that commodity, but the dealer in it must advance the price double or treble times that sum; for he must not only repay himself the original tax, but must have compensation for his losses in trade by bad debts, and loss of interest by his increased capital. Besides this, every new tax does not only affect the price of the commodity on which it is laid, but that of all others, whether taxed or not, and with which, at first sight, it seems to have no manner of connection. Thus, for instance, a tax on candles must raise the price of a coat or a pair of breeches, because, out of these, all the taxes on the candles of the wool-comber, weaver and the tailor must be paid. A duty upon ale must raise the price of shoes, because from them all the taxes upon ale drank by the tanner, leather dresser and shoemaker, which is not a little, must be refunded. No tax is immediately laid upon corn, but the price of it must necessarily be advanced, because, out of that, all the innumerable taxes paid by the farmer on windows, soap, candles, malt, hops, leather, salt, and a thousand others, must be repaid; so that corn is as effectually taxed as if a duty by the bushel had been primarily laid upon it, for taxes,like the various streams which form a general inundation, by whatever channels they separately find admission, unite at last and overwhelm the whole. The man, therefore, who sold sand upon an ass and raised the price of it during the late war, although abused for an imposition,most certainly acted upon right reasons, for, though there were no new taxes then imposed either on sand or asses, yet he found by experience that, from the taxes laid upon almost all other things, he could neither maintain himself, his wife, nor his ass, as cheap as formerly. He was, therefore, under a necessity of advancing the price of his sand out of which, alone, all the taxes which he paid must be refunded. Thus, the increase of taxes must increase the price of everything whether taxed or not; and this is one principal cause of the present extraordinary advance of provisions and all the necessaries of life.

The other great source, from whence this calamity arises, is certainly our vast increase of riches. That our riches are amazingly increased within a few years, no one who is the least acquainted with this country can entertain a doubt. Whoever will cast his eyes on our public works, our roads, our bridges, our pavements and our hospitals, the prodigious extension of our capital, and,in some proportion, that of every considerable town in Great Britain; whoever will look into the possession and expenses of individuals, their houses, furniture, tables, equipages, parks, gardens, clothes, plate and jewels, will find everywhere round him sufficient marks to testify to the truth of this proposition. This great increase of private opulence is undoubtedly owing to the very same cause which increased our national debts; that is, to the enormous expenses and unparalleled success of the late war; and indeed very much arises from that very debt itself. Every million funded is in fact a new creation of so much wealth to individuals, both of principal and interest; for the principal, being easily transferrable, operates exactly as so much cash; and the interest, by enabling so many to consume the commodities on which taxes are laid for the payment of it, in a great measure produces annually an income to discharge itself. Of all the enormous sums then expended, little besides the subsidies granted to German Princes, was lost to the individuals of this country, though the whole was irrecoverably alienated from the public, all the rest annually returning into the pockets of the merchants, contractors, brokers and stock jobbers, enabled them to lend it again to the public on a new mortgage, the following year. Every emission of paper-credit by bank notes, exchequer and Navy bills, so long as they circulate, answers all the purposes of so much additional gold and silver, as their value amounts to. If we add to these the immense riches daily flowing in since that period from our commerce extended over every quarter of the globe, from the new channel of trade opened from America, and the amazing sums imported from the East Indies, it will not sure be difficult to account for the opulence of the present times, which has enabled men to increase their expenses and carry luxury to a pitch unknown to all former ages.

The effects of this vast and sudden increase of riches are no less evident than their cause. The first and most obvious effect of the increase of money is the decrease of its value, like that of all other commodities, for money, being but a commodity, its value must be relative, that is, dependent on the quantity of itself and the quantity of the things to be purchased with it. In every country where there is great plenty of provisions and but little money, there,provisions must be cheap; that is, a great deal of them will be exchanged for a little money. On the contrary, where there are but little provisions in proportion to the number of consumers, and a great plenty of money or what passes fo money, there they will inevitably be dear; that is, a great deal of money must be given to purchase them. These effects must eternally follow their causes in all ages and in all countries, and that they have done so, the history of all countries in all ages sufficiently informs us. The value of money at the time of the Norman conquest was near twenty times greater than at present, and it has been gradually decreasing from that period, in proportion as our riches have increased. It has decreased not less than one-third during the present century, and I believe one-half at least of that third,since the commencement of the last war, which, I doubt not, could it be exactly computed, would be found to be in due proportion to the increase of its quantity either in real or fictitious cash, and the price of provisions is advanced in the same proportion during the same period.

The increase of money does not only operate on the price of provisions by the diminution of its own value, but by enabling more people to purchase and, consequently, to consume them, which must unavoidably likewise increase their scarcity, and that must still add more to their price. Twenty rich families will consume ten times as much meat, bread, butter, soap and candles, as twenty poor families consisting of the same number, and the prices of all these must certainly rise in proportion to the demand. This effect of the increase of wealth in many countries of Europe is very visible at this day, and in none more than in the northern part of this island, who having of late acquired riches by the introduction of trade, manufactures and tillage, can now well afford to eat roast beef and, therefore, consume much of those cattle, with which they were formerly glad to supply us,and will not part with the rest but at prices greatly advanced. The consumption of everything is also amazingly increased from the increase of wealth in our metropolis and, indeed, in every corner of this kingdom; and the manner of living, throughout all ranks and conditions of men, is no less amazingly altered. The merchant who formerly thought himself fortunate if in a course of thirty or forty years, by a large trade and strict economy, he amassed together as many thousand pounds, now acquires in a quarter of that time double that sum, or breaks for a greater, and vies all the while with the first of our nobility, in his houses, table, furniture and equipage. The shopkeeper who used to be well contented with one dish of meat, one fire and one maid, has now two or three times as many of each; his wife has her tea, her card-parties and her dressing-room; and his prentice has climbed from the kitchen fire to the front boxes at the play-house. The lowest manufacturer and the meanest mechanic will touch nothing but the very best pieces of meat and the finest white bread, and if he cannot obtain double the wages,for being idle, to what he formerly received for working hard, he thinks he has a right to seek for a redress of his grievances by riot and rebellion. Since, then, the value of our money is decreased by its quantity, our consumption increased by universal luxury, and the supplies which we used to receive from poorer countries, now also grown rich, greatly diminished, the present exorbitant price of all the necessaries of life can be no wonder."

EQUITABLE BUILDING
NEW YORK

Apropos of our Exchange of wires on the question of personnel Jay had a good talk with Ray Morris who really was much interested but for reasons which will develop later he could not accept. Merrill & Walker do not seem to be practicable for the reasons advanced by you. We both feel that the last fellow referred to by you would not be as useful in carrying a part of the load as some one from outside would be and may presently suggest for him an advancement that would be midway between the position now held and the one under discussion.

We hope to present some further suggestions to you before you sail. F.R. Board turned down the proposal of Vandervoort for the renewal of the B-Credit. War Finance Corp is considering working out a plan for lending the banks against these bills but even this is not at all sure.

J.H.C.

Mch 19/20

April 1, 1920.

Benj. Strong, Esq.,
C/o Federal Reserve Bank of San Francisco,
San Francisco, Cal.

Dear Mr. Strong:

Just a word or two of farewell before you embark on your trip to the Far East. I presume that you received the letters of introduction to various institutions abroad, which we recently forwarded to you at Phoenix.

-2/23/20

With this I am enclosing a copy of a communication from Mr. Eigo Fukai, a director of the Bank of Japan, together with a copy of my reply. — 3/23/20 Mr. Fukai was a delegate to the Peace Conference and was introduced to us last year by Mr. Hamoaka, as he was passing through on his way to Paris. You will note that he is looking forward to meeting you in Japan during the latter part of April.

Mr. S. Imamura, of The Sumitomo Bank, Ltd., Osaka, Japan, with offices at 149 Broadway, New York, called here one day last week, to say good-bye before he sailed for Japan, and expressed his pleasure and satisfaction upon learning of your proposed visit to his country. He further expressed the hope that you and your party would find it convenient to call at The Sumitomo Bank during your visit, and, at his suggestion, I am enclosing a letter of introduction.

In my last letter to you, I mentioned the fact that there was then being offered an issue of one-year 4 3/4% certificates, dated March 15, the sale of which was not going any too well. The truth is, the issue was a failure; total subscriptions throughout the country amounted to only $160,000,000, which, together with $40,000,000 received from Treasury sources, brought the grand total to $200,000,000, whereas the Treasury really wanted from $350,000,000 to $400,000,000. The net of it all is that Secretary Houston and Mr. Leffingwell have at last become alive to the situation and now recognize that they are missing their market. They are at present offering, as of to-day, $200,000,000 of three-months 4 3/4% certificates, which I think will be subscribed for largely through the efforts of the Federal Reserve Banks in urging the banks to subscribe. We have our quota of $80,000,000 - obtained by that method. I told Mr. Leffingwell, to-day, that he would have to pay at least 5% for subsequent issues of short bills, and he has indicated his readiness to do this. Thinking that you may be interested, I am enclosing a copy of my confidential letter to Secretary Houston, under date of March 22; also a copy of my telegram to Mr. Leffingwell, under date of March 26.

Bankers acceptances are now moving freely, from 5 3/4% for indorsed bills to 6 1/4% for unindorsed 90-day paper. The dealers report a strong demand from country banks and a good demand from large corporations. Some of the former certificate buying is being diverted to bankers acceptances and short municipal notes (such as The City of New York) which are now selling on a 5 1/2% basis for April to November maturities.

This seems to be an era of bank consolidation. The following institutions have consolidated or are in process:

Bank of the Manhattan Company	-	absorbing	Merchants National Bank and Bank of Long Island.
Chemical National Bank	-	"	Citizens Nat'l Bank.
Irving National Bank	-	"	Irving Trust Co.
Bank of America	-	"	Franklin Trust Co.
Mechanics & Metals Nat'l Bk.	"	"	New York Produce Exchange Bank.

I am looking forward with interest to attending the governors' conference at Washington, April 7 to 10th. I spent Monday night and all day Tuesday with Governor Morss in Boston and had the pleasure of meeting at luncheon a number of the important Boston Bankers. I find it rather refreshing to get away from the office now and then and to gather some other fellow's viewpoint. Jay ran off last night and will be gone over the week-end. Shepard Morgan tells me that he sent you, this morning, by special delivery, twenty-five copies of the Fifth Annual Report of the Federal Reserve Bank of New York, the publication of which has been delayed. I hope you will receive them promptly.

This is probably the last word that you will have from me before you sail. I am glad to know that you have so thoroughly enjoyed your stay in Arizona, and my earnest hope is that your trip to the Orient will be extremely enjoyable as well as restful and that you will presently return to us with renewed vigor and a full measure of good health.

Sincerely yours,

JHC/HAB
Encs. (5)

0M-11-19

ERAL RESERVE BANK
OF NEW YORK

SENT BY

(SEND TO TELEGRAPH DEPT.)

COPY OF TELEGRAM

FILING DEPT.

RECEIVED

April 15, 1920.

Benjamin Strong,
Care of Federal Reserve Bank of San Francisco.

For your information I am reporting action taken on a few of the high spots at the governors conference. Certificates of Indebtedness: Secretary Houston outlined probable requirements of Treasury for next two months, as follows: April fifteenth, two hundred fifty millions; May first, one hundred twenty five millions; May fifteenth, one hundred twenty five millions; June first, one hundred twenty five millions (these last four figures representing probable issue of short-term loan certificates at five percent or better); and June fifteenth, three hundred millions, (this last figure representing probable issue of tax certificates of longer maturity). Proceeds of the lastnamed issue to refund short-term loan certificates maturing in July. (Note: Amount of outstanding tax certificates due June fifteenth, seven hundred millions). Governors considered matter of rates and maturities for proposed current issues and recommended combination issue of short maturities for April fifteen as follows: three months at five percent, and six months at five and one-quarter percent. This recommendation was approved by the Treasury, (Chicago, Boston and Atlanta voting for one-quarter percent higher rate on both issues). I will here interrupt my report on the action taken at the governors conference, long enough to se

Misc. 34-40M-11-1

FEDERAL RESERVE BANK OF NEW YORK

Benjamin Strong,
C/o F. R. B. of San Francisco

SENT BY

Page 2.

(SEND TO TELEGRAPH DEPT.)

COPY OF TELEGRAM

April 15, 1920.

that both of the current three-months five percent issue and the six-months five and one-quarter percent issue appear to be going well in our district. Up to present writing, our full quota has been subscribed to, figures reaching one hundred million odd. To go on with my report on the conference, the Treasury broke into new ground by approving policy of open market trading, by dealers, in all other outstanding certificates, on interest bases approximating those now established on new certificates. Credit Control: Effect of recent rate increases upon liquidation fully discussed. Several districts, including New York, reported some liquidation due directly to increased rate, indicating present rates were becoming effective in exercising credit control. Majority of western and southern districts reported no real liquidation as yet. Consideration given to the Amendment to Federal Reserve Act, authorizing Reserve banks to fix progressive rates for borrowings beyond normal discount line. Majority opinion was that it should not be availed of at present, but should be used only when Reserve bank management cannot control abnormal borrowing. Atlanta and Kansas City voted for immediate use. Bankers Acceptances: New York reported wide distribution among banks and investors, at six percent. Conference agreed to principle that stabilization of New York open bill market is incumbent upon Reserve System as a whole, and appointed committee to make such support effective. Discussed methods for encouraging continuous investment by member banks. Discount Rates: In this connection, you have doubtless observed that British Treasury has raised its rate from five and one-half percent to six and one-half percent on

-40M-11-1.

RAL RESERVE BANK
F NEW YORK

SENT BY

(SEND TO TELEGRAPH DEPT.)

Benjamin Strong, Care Federal Reserve Bank of San Francisco.

COPY OF TELEGRAM

RECEIVED

April 16, 1920.

Treasury bills, and that the Bank of England has today raised its discount rate to seven percent. While considerable difference of opinion exists as to further increase in our discount rates, majority view was that we should make no change now but should watch situation closely, with view subsequently to increase rates any time such course seems necessary or desirable. My best wishes for a pleasant voyage. Goodbye.

CASE.

F.3.1-90M-1-20 Enclosure No. 1.

FEDERAL RESERVE BANK OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 29, 1920.

TO Mr. Case

SUBJECT: Salient Features of Accompanying Report.

FROM R. G. Bellah

RESERVE PERCENTAGES

Our reserve percentage on June 25, after allowing for rediscounting for other Federal Reserve Banks, was 39.2 per cent. If there had been no necessity for any rediscounting our reserve percentage would have been 42.8 per cent. The rediscounting was for six banks. The amounts, and the actual and adjusted reserve percentages of these banks follow:

	Amounts Rediscounted with Fed. Res. Bk. of New York	Actual Reserve Percentages	Percentages after Rediscounting
Atlanta	$ 4,160,000.00	36.4	40.6
Chicago	14,950,000.00	36.7	40.0
Minneapolis	11,623,300.00	21.2	41.1
Kansas City	9,958,000.00	33.9	41.1
Dallas	2,000,000.00	37.4	41.4
St. Louis	19,269,682.96	27.8	41.9
	$61,960,982.96		

The highest actual reserve percentage was again that of Cleveland. It was 63.1 per cent. and the adjusted 51.1 per cent. Boston was second with 61.1 per cent. actual and 56.8 per cent. adjusted. San Francisco was third with an actual of 52.1 per cent. and an adjusted of 52.0 per cent. Philadelphia stood fourth with an actual and adjusted both of 45.0 per cent. New York dropped from fourth to fifth place.

Of the banks rediscounting with us on June 25, Atlanta has gone down 2.6 per cent., Minneapolis 3.1 per cent. and Dallas 1.7 per cent.; while Kansas City has gone up .1 per cent., and St. Louis 1.8. It is of interest to note that all six of the banks rediscounting with us have an adjusted percentage much higher than ours.

WEEKLY REPORTING MEMBER BANKS OF THE COUNTRY

A decided increase in all loans is noted for the four weeks ending June 18, and also for the week ending June 18. The increase for the longer period was $113,000,000. and for the shorter period $85,000,000. All the loans for the balance of the country showed a decrease during these two periods; for the four weeks of $55,000,000. and for the week of $56,000,000. All the loans of the City decreased $119,000,000. but the increase in the balance of the country was $216,000,000. The net result has been that during all three periods, the year, the month, and the week, there were increases throughout the entire country. There has been a slight increase in the loans on stocks and bonds in the City for the four weeks ending June 18 and the one week ending June 18. For the entire year, however, there has been a heavy decrease of $243,000,000. In the balance of the country the loans increased the last week $10,000,000. As the low point was touched on June 11, this means that

F.3.1-90M-1-20

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 29, 1920.

TO Mr. Case

SUBJECT: Salient Features of Accompanying Report.

FROM R. G. Bellah

the loans on stocks and bonds in the balance of the country stood on June 18 just $10,000,000. above the low point for the year. The deposits of the Reporting Banks of the Country increased $148,000,000. in the week ending June 18. The deposits also increased in the four weeks ending June 18, but for the entire year there was a decrease of $107,000,000.

DAILY REPORTING BANKS

Net Deposits Decreased in Week ending June 25	$37,455,000.
Borrowings of City Banks from Federal Reserve Bank Increased in Week	28,827,000.
Street Loans Increased in Week	8,912,000.
Balances of Out-of-town Correspondents Decreased in Week	37,259,000.
Street Loans of Out-of-town Correspondents Decreased in Week	15,393,000.

It is of interest to know that the balances of the out-of-town correspondents of the Daily Reporting Banks was on June 25 at the lowest point of the year, and the Street Loans of the out-of-town correspondents were only $1,285,000. above the low point for the year.

C.3.1-90M-1-20

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 29, 1920.

TO Mr. Case

SUBJECT: Street Loans, Borrowings and Deposits of Daily Reporting Banks.

FROM R. G. Bellah.

000 Omitted

	Net Deposits City Banks	City Banks' Borrowings from F. R. Bank	Street Loans City Banks	# Balance Out-of-town Correspondents	Street Loans Out-of-Town Correspondents
1918 High Point	N R	N R	Oct. 24 $639,912.	Jan. 15 $854,302	Dec. 24 $234,924.
1918 Low Point	N R	N R	Apr. 15 463,608.	July 30 647,101.	Feb. 15 134,837.
1919 High Point	N R	N R	Nov. 1 847,776.	Jan. 15 868,670.	Nov. 18 749,373.
1919 Low Point	N R	N R	Feb. 19 503,716.	May 29 684,909.	Jan. 2 214,473.
1920					
January 2	$5,422,984.	$661,757.	714,756.	820,436.	634,566.
February 2	5,193,669.	694,935.	608,932.	770,879.	676,135.
March 1	4,959,999.	708,618.	450,984.	733,931.	635,691.
April 1	5,183,702.	619,594.	474,649.	720,733.	612,941.
May 1	5,022,240.	652,120.	487,082.	663,162.	603,835.
June 1	5,081,102.	646,853.	436,149.	685,022.	536,303.
June 26	4,966,551.	584,090.	440,035.	643,093.	505,566.
High Point	Jan. 5 5,441,286.	Mch. 8 750,698.	Jan. 5 726,560.	Jan. 5 864,298.	Feb. 3 683,186.
Low Point	Feb. 21 4,872,470.	June 17 502,279.	May 27 392,155.	June 26 643,093.	June 24 504,281.
Net Change for Year Jan. 2-June 26	456,433.	77,667.	274,721.	177,343.	129,000.
Net Change for Month May 26-June 26	37,816.	37,954.	47,687.	23,761.	71,114.
Net Change for Week June19-June 26	37,455.	28,827.	8,912	37,259.	15,393.
Increase June 26 from Low Point	94,081.	81,811.	47,880.	0	1.285.
Decrease June 26 from High Point	474,735.	166,608.	286,525.	221,205.	177,620.

Included in Net Deposits City Banks.

From January 2 to June 26 inclusive, the net deposits of the City Banks declined $456,433. This decline was met, in whole or in part, as follows:

Decrease in Street Loans	$274,721.
Borrowings from Fed. Res. Banks	77,667.
Decrease in Other Assets	104,045.
	$456,433.

C.3.1-90M-1-20

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 29, 1920

TO Mr. Case

SUBJECT: Loans, Deposits and Street Loans of Weekly Reporting Member Banks.

FROM R. G. Bellah

The following table shows the amount of all loans and also the amount of loans on stocks and bonds of the Weekly Reporting Member Banks of the country. The figures for the seventy-three Weekly Reporting Member Banks of New York City are contrasted with those of the rest of the banks of the country and a total is shown. (The seventy-three Weekly Reporting Member Banks are not the same as the Daily Reporting Banks, although fifty-one of the latter are among the seventy-three banks.) The high and low points are indicated in each case and the net change for the year, the month and the week. In addition, the increase from the low point and the decrease from the high point are shown.

WEEKLY REPORTING MEMBER BANKS
000 Omitted

	ALL LOANS						# LOANS ON STOCKS AND BONDS					
Date	NewYorkCity		Bal.ofCountry		Total		NewYorkCity		Bal.ofCountry		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
1918HighPoint Feb.1-Dec.31	71	Nov.15 5,269,649	680	Nov.1 8,849,675	750	Nov.1 14,040,777		N R		N R		N R
1918LowPoint Feb.1-Dec.31	57	Feb. 8 4,454,729	613	Feb.8 7,039,787	670	Feb.8 11,494,516		N R		N R		N R
1919HighPoint	71	Oct.10 5,850,422	726	Dec.26 10,160,475	783	Nov. 7 15,626,753	* 71	Oct.31 1,455,617	726	Dec.26 1,957,248	797	Dec.26 3,300,331
1919LowPoint	65	Feb.21 5,080,042	698	Jan.3 8,483,713	757	Jan.3 13,636,545	* 71	Dec. 5 1,256,169	702	Aug.15 1,635,634	774	Aug.29 2,912,458
1920												
January 2	71	5,595,089	727	10,197,371	798	15,792,460	71	1,418,107	727	1,974,986	798	3,393,093
February 6	71	5,424,307	733	10,389,449	804	15,813,756	71	1,281,081	733	2,020,726	804	3,301,807
March 5	73	5,242,145	634	10,571,234	807	15,813,379	73	1,179,503	734	1,991,554	807	3,171,057
April 2	72	5,365,349	739	10,445,487	811	15,810,836	72	1,189,641	739	1,969,302	811	3,158,943
May 7	72	5,367,422	737	10,466,415	809	15,833,837	72	1,156,694	737	1,982,834	809	3,139,528
June 4	74	5,415,515	739	10,441,249	813	15,856,764	74	1,181,173	739	1,929,865	813	3,111,038
June 18	73	5,475,987	741	10,413,762	814	15,889,749	73	1,175,256	741	1,937,885	814	3,113,141
High Point		January 2 5,595,089		March 12 10,614,866		April 16 16,030,294		January 2 1,418,107		February 6 2,020,726		January 2 3,393,093
Low Point		March 5 5,242,145		January 2 10,197,371		February 13 15,714,921		May 14 1,154,371		June 11 1,928,029		June 11 3,095,337
Change for Year Jan.2 - June 18		119,102		216,391		97,289		242,851		37,101		279,952
Change for Month May21 - June 18		112,936		55,004		57,932		13,447		9,843		3,604
Change for Week June11- June 18		85,340		56,326		29,014		7,948		9,856		17,804
Increase June 18 from Low Point		233,842		216,391		174,828		20,885		9,856		17,804
Decrease June 18 from High Point		119,102		201,104		140,545		242,851		82,841		279,952

Included in ALL LOANS

* The high and low points for LOANS ON STOCKS AND BONDS during 1919 cover the period from August 15 to December 31.

C.3.1-90M-1-20

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 29, 1920.

TO Mr. Case

SUBJECT: Net Deposits of Money Reporting Member Banks.

FROM R. G. Bellah.

NET DEPOSITS OF WEEKLY REPORTING MEMBER BANKS

000 Omitted.

Date	New York City		Bal. of Country		Total	
	No.	Amount	No.	Amount	No.	Amount
1918 High Point Feb. 1 - Dec. 31	70	Nov. 8 4,796,521.	680	Nov. 1 7,345,422.	750	Nov. 1 12,104,471.
1918 Low Point Feb. 1 - Dec. 31	58	Mch. 15 4,416,703.	618	Feb. 1 6,368,882.	717	July 19 10,935,252.
1919 High Point	70	Sept. 19 5,414,799.	725	Dec. 19 8,926,328.	796	Dec. 19 14,136,367.
1919 Low Point	65	Feb. 7 4,607,465.	692	Jan. 3 7,307,969.	770	Feb. 7 11,985,328.
1920 January 2	71	5,401,166.	727	9,171,089.	798	14,572,255.
February 6	71	5,064,699.	733	9,113,216.	804	14,177,915.
March 5	73	4,918,828.	734	9,224,253.	807	14,143,082.
April 2	72	5,150,077.	739	9,155,998.	811	14,306,075.
May 7	72	5,044,527.	737	9,127,019.	809	14,171,546.
June 4	74	5,094,315.	739	9,161,265.	813	14,255,580.
June 18	73	5,193,162.	741	9,271,752.	814	14,464,914.
High Point		Jan. 2 5,401,166.		Mch. 12 9,329,972.		Jan. 16 14,600,225.
Low Point		Feb. 20 4,877,867.		Feb. 20 9,108,133.		Feb. 20 13,986,000.
Net Change for Year Jan. 2 - June 18		208,004.		100,663.		107,341.
Net Change for Month May 21 - June 18		112,457.		123,367.		235,824.
Net Change for Week June 11 - June 18		101,746.		46,571.		148,317.
Increase June 18 from Low Point		315,295.		163,619.		478,914.
Decrease June 18 from High Point		208,004.		58,220.		135,311.

F.3.1-90M-1-2

RVE BANK
YORK

OFFICE CORRESPONDENCE

DATE June 29, 1920.

TO Mr. Case

SUBJECT: Reserve Percentages of the Twelve Federal Reserve Districts.

FROM R. G. Bellah

COMPARISON OF THE RESERVE PERCENTAGES OF THE TWELVE FEDERAL RESERVE DISTRICTS

	Boston A	New York B	Phila. C	Cleve. D	Richmond E	Atlanta F	Chicago G	St. Louis H	Minneapolis I	Kansas City J	Dallas K	San Fran. L	Total
1918 High Point Aug. 9-Dec. 31	Aug26 67.9	Aug10 64.0	Aug23 69.2	Aug23 69.9	Oct24 60.4	Aug23 56.5	Dec 2 67.6	Aug23 70.5	Nov13 75.9	Aug23 68.7	Sep12 54.4	Nov22 62.6	Aug23 59.1
1918 Low Point Aug. 9-Dec. 31	Oct30 39.0	Dec30 40.3	Nov21 39.3	Dec17 46.0	Aug10 44.6	Dec31 39.6	Nov 6 49.3	Oct10 43.0	Aug23 39.2	Nov14 42.8	Dec16 38.2	Oct25 46.3	Nov20 49.1
1919 High Point	Aug14 56.1	Sep18 56.3	Jan20 46.8	May20 66.5	Nov 8 52.7	Dec18 53.5	Mch15 74.3	Feb 8 68.6	Jan27 72.4	Aug23 62.3	Nov18 59.7	Feb 4 60.2	Jan16 54.2
1919 Low Point	Nov12 37.5	Dec30 38.7	June3 38.8	Nov25 43.0	June4 38.3	Sep18 39.3	Dec29 49.3	Mch22 41.2	Dec26 39.4	Dec17 39.0	Jun18 37.5	Nov 1 45.5	Dec30 44.5
1920 January 2	43.7	38.7	41.0	48.1	42.3	51.8	46.2	46.8	40.6	44.2	48.6	52.6	43.7
Jan.-Mch. High Point	Mch 4 54.3	Mch31 41.8	Mch12 41.8	Mch20 52.7	Feb 5 47.0	Jan13 55.4	Jan13 59.5	Jan 7 54.7	Mch20 51.3	Feb 5 53.1	Jan 7 59.3	Mch25 52.9	Jan 8 45.8
Jan.-Mch. Low Point	Feb 7 39.7	Jan13 34.7	Jan31 34.5	Mch15 44.1	Mch16 38.9	Mch 1 40.7	Mch31 38.6	Mch15 38.5	Jan 2 40.6	Jan 3 41.2	Mch15 40.9	Feb.3 39.0	Mch15 41.1
April High Point	26 54.6	22 44.5	19 44.5	20 51.2	22 44.2	13 49.4	9 41.1	12 43.8	3 48.3	5 44.5	5 46.4	1 49.4	10 43.6
April Low Point	1 44.2	5 38.8	14 39.5	1 45.2	9 39.4	30 41.4	2 38.7	1 38.6	24 39.3	15 38.0	23 38.8	29 38.0	5 42.3
May High Point	1 55.1	20 42.4	25 42.3	18 52.7	24 44.6	27 41.4	11 42.1	26 41.6	13 42.0	10 45.2	5 41.9	12 42.6	28 42.7
May Low Point	14 47.8	3 39.1	4 39.2	26 49.3	28 40.2	25 39.0	20 39.1	7 39.2	8 39.0	19 38.9	11 39.2	1 40.6	15 42.0
June High Point	25 56.8	17 43.3	25 45.0	24 55.2	15 45.2	16 43.0	10 41.8	17 43.2	2 44.6	7 42.9	16 44.3	22 53.7	18 44.5
June Low Point	15 46.7	7 38.3	11 39.3	15 49.1	7 39.4	10 39.5	22 39.0	15 39.5	19 40.0	15 38.3	3 38.1	3 41.8	5 42.5
June 25	56.8	39.2	45.0	51.1	41.7	40.6	40.0	41.9	41.1	41.1	41.4	52.0	43.6
Change for Year Jan. 2-June 25	13.1	0.5	4.0	3.0	0.6	11.2	6.2	4.9	0.5	3.1	7.2	0.6	0.1
Change for Month May 25-June 25	6.3	1.0	2.7	0.8	0.8	1.6	1.9	0.8	0.4	0.2	1.3	10.5	1.1
Change for Week June 18-June 25	4.2	3.3	3.4	3.5	1.9	0.8	0.1	0.2	3.2	1.0	2.1	1.3	0.9
Increase June 25 from Low Point	17.1	4.5	10.5	7.0	2.8	1.6	1.4	3.4	2.1	3.1	3.3	14.0	2.5
Decrease June 25 from High Point	0.0	5.3	0.0	4.1	5.3	14.8	19.5	12.8	10.2	12.0	17.9	1.7	2.2

The Net Exports of Gold from Federal Reserve Bank of New York from January 2, 1920 to June 25, 1920 inclusive, were $101,515,500.

SECURITIES AND CUSTODY ACCOUNTS

JUNE 30, 1920.

Securities Department		
Custodies held	$	
Securities held in vault Safekeeping	517,373,173.11	
" " awaiting delivery	817,853.19	
Total		$ 518,191,026.30
Certificate of Indebtedness Department		
Securities held in vault custody	20,000,000.00	
" " awaiting delivery and exchange	300,072,500.00	
Canceled securities held awaiting shipment to Washington	34,270,500.00	
Temporary Receipts for Subscriptions to U. S. Securities	10,977,000.00	
" " " " " War Finance Corp. Bonds	6,000.00	
Canceled Coupons held awaiting shipment to Washington	74,747.97	
Total		365,400,747.97
Foreign Department Custodies held	11,500,000.00	11,500,000.00
Government Bond Department		
Securities held in vault custody	973,266,786.00	
" " awaiting delivery	250,473,944.78	
" " for exchange of denomination	64,829,830.57	
Canceled securities held awaiting shipment to Washington	72,944,054.59	
Total		1,361,514,615.94
Government Deposit Department		
Securities held in vault as collateral to Government Funds, W. S. S. etc.	257,324,528.08	
" " by outside custodians as collateral to Government Funds W. S. S. etc.	39,619,905.28	
" " awaiting delivery	278,000.00	
Securities for Com'l Paper held as coll. to Government funds	320,000.00	
Total		297,542,433.36
Government Loan Organization Postage Stamps	18,062.98	18,062.98
Loan Department		
Securities held as collateral for Rediscounts and Advances	601,395,721.51	
" " awaiting delivery	854,250.00	
Total		602,249,971.51
Federal Reserve Agent's Department		
Unissued Federal Reserve Notes held by F. R. Agent	128,600,000.00	
Commercial Paper held by F. R. Agt. for F. R. Agts. of other res. bks.		
Total		128,600,000.00
Acceptances held for Foreign Accounts	14,492,223.41	
Acceptances held for Account of Bank of Japan	16,216,731.32	30,708,954.73
Grand Total Liability for Custodies and Securities Held		$ 3,304,742,812.79
" " " " Temporary Receipts issued for Subscriptions to U. S. Securities, etc.		10,983,000.00

Buffalo Branch Account (Cash Balance)	$	17,939,238.73
Cumulative dividend liability to		
Liberty Loan Funds with Depositary Banks		
Certificates of Indebtedness Funds with Depositary Banks		125,527,000.00
Special Deposit Funds with Depositary Banks		

Enclosure no. 8. Attng: Case

ACCOUNTS WITH OTHER FEDERAL RESERVE BANKS BEFORE SETTLEMENT

JUNE 30, 1920.

DUE FROM		DUE TO
$17,296,050.90	Boston	$17,205,629.40
15,617,851.42	Philadelphia	15,970,151.27
12,790,163.15	Cleveland	10,651,438.60
2,694,370.47	Richmond	4,726,518.45
2,028,105.53	Baltimore Br.	3,101,323.68
2,418,523.79	Atlanta	2,315,720.62
379,886.43	New Orleans Br.	933,659.67
13,700,138.37	Chicago	14,010,709.38
2,018,622.45	Detroit Br.	2,805,375.18
3,131,709.84	St. Louis	2,017,297.58
92,282.19	Little Rock Br.	96,575.05
660,225.28	Louisville Br.	509,190.17
227,639.08	Memphis Br.	189,150.19
1,628,306.03	Minneapolis	1,435,675.68
2,611,043.37	Kansas City	1,205,369.83
412,732.82	Denver Br.	224,510.60
237,020.20	Omaha Br.	22,760.16
	Oklahoma City Br.	
303,592.64	Dallas	804,266.85
151,837.83	El Paso Br.	25,900.23
202,153.51	Houston Br.	102,800.66
4,515,473.24	San Francisco	10,549,406.10
274,315.42	Seattle Br.	149,688.69
21,122.36	Spokane Br.	14,015.04
83,688.64	Portland Br.	455,043.27
170,545.83	Salt Lake City Br.	126,439.12
252,416.55	Los Angeles Br.	739,413.87
$84,689,617.34	TOTALS	$90,388,529.33

COMPARISON OF IMPORTANT FIGURES

IN THOUSANDS (000 OMITTED)

	NET DEPOSITS	F. R. NOTES IN ACTUAL CIRCULATION	F. R. BANK NOTES IN ACTUAL CIRCULATION	TOTAL EARNING ASSETS	TOTAL RESERVES	% OF TOTAL RES. TO COMBINED NET DEP. & NOTE LIAB.
TODAY	704,583	865,857	38,379	1,082,859	615,100	39.2
YESTERDAY	716,626	862,346	38,381	1,079,703	628,324	39.8
ONE WEEK AGO	733,120	850,326	38,046	1,094,063	617,959	39.0
AVERAGE THIS MONTH TO DATE	729,500	856,123	37,807	1,075,499	637,230	40.2
AVERAGE LAST MONTH	758,905	846,147	37,967	1,076,806	651,255	40.6

BK 7.1-12M-3-20

FEDERAL RESERVE BANK OF NEW YORK

STATEMENT OF CONDITION

CLOSE OF BUSINESS JUNE 30, 1920 AFTER CLOSING

ACCOUNTING DEPT. BOOKKEEPING DIV.

RESOURCES

ITEM	AMOUNT	TOTAL
RESERVES	$	$
Gold redemption fund F. R. notes	33,966,000.00	
Gold with Federal Reserve Agent	282,635,480.89	
Gold settlement fund	66,940,061.56	
Gold bullion and coin	15,801,578.14	
Gold certificates	67,661,350.00	
Bank of England gold a/c—Ours	40,931,550.31	
Total Gold Reserves	507,935,970.90	
Legal-tender notes	41,584,720.00	
Silver coin and certificates	65,377,863.60	
Mutilated currency for'd for redemption	201,000.00	
Total Cash Reserves	107,163,583.60	
Total Reserves		615,099,554.50
Other cash on hand	73,778.83	
5% fund against F. R. bank notes	3,113,470.00	
Overdrafts—U. S. Government		
		3,187,248.83
DEFERRED ITEMS		
F. R. notes of other F. R. banks	6,320,500.00	
Deferred debits other F. R. banks	65,661,038.39	
Due from other F. R. banks—Coll. funds	7,160,744.33	
Remittance accounts	46,261,337.09	
Exchanges for C. H. and other cash items	36,736,654.87	
Deferred items Treas. U. S.	468,301.87	
Buffalo Br. Suspense A/c.	1,014,124.63	
Total Deferred	161,622,701.18	
Allotments to other F. R. banks Argentine Gov't a/c	28,825,990.12	
Due from foreign banks	1,113,907.96	
Allotments to other F. R. Bks. Bk. of Japan A/c.	2,532,000.00	
Total Deductions		194,094,599.26
EARNING ASSETS		
Member bks. coll. notes—U.S. securities	183,422,807.51	
Member bks coll. notes—Ctfs. of Indeb.	171,393,000.00	
Bills disc.—Members—U. S. securities	137,928,618.45	
Member bks. coll. notes—Coml. paper		
Bills discounted—Members—Unsecured	240,527,920.54	
Acceptances purchased	179,163,616.10	
Acceptances purchased with agreement	12,961,698.31	
Redisc. for other F. R. Bks.	48,874,677.78	
Total Bills	974,272,338.69	
Investment a/c self insurance reserve	250,100.00	
U. S. bonds owned	1,256,800.00	
U. S. sec. to secure F. R. bank notes	59,276,000.00	
U. S. certificates of indebtedness	42,303,000.00	
U. S. C. of I. purch. with agreement	5,501,000.00	
Total Other Investments	108,586,900.00	
Municipal warrants		
Par value of earning assets	1,082,859,238.69	
DEDUCT		
Unearned discount 2,958,222.78		
Dep. res. on U.S. sec. 200,880.00		
Total 3,159,102.78		
Less int. accrued on U. S. Sec. 832,341.28	2,326,761.50	
Liquid Value of Earning Assets		1,080,532,477.19
MISCELLANEOUS ASSETS		
Bank of England Sterling gold a/c held for other F. R. banks	70,598,559.53	
Expenses paid in advance	90,214.63	
Expenses adv'd to Gov. Loan Organiz'n	291,845.25	
Suspense Account disbursements	9,326.78	
Suspense a/c—General	376,089.72	
U. S. 1st L/L bonds held a/c Participation Ctfs.	36,250.00	
Internal revenue stamps	398.20	
Difference a/c		
Real estate	3,591,439.51	
New building	171,096.58	
Total		75,165,220.20
Total Resources		1,968,079,099.98

LIABILITIES

ITEM	AMOUNT	TOTAL
FEDERAL RESERVE NOTES	$	$
Outstanding	983,048,400.00	
Less held by bank 116,273,425		
" for'd for redem. 1,218,000	117,491,425.00	
In Actual Circulation		865,556,975.00
FEDERAL RESERVE B'K NOTES		
Outstanding	42,269,400.00	
Less held by bank 3,890,000		
" for'd for redem.	3,890,000.00	
In Actual Circulation		38,379,400.00
DEPOSITS		
Treasurer U. S.—General a/c	974,008.83	
Member banks—Reserve balances	734,091,144.13	
Non-member banks—Clearing a/c	7,001,215.33	
Foreign governments	36,838,688.98	
Foreign banks	5,424,472.65	
Officers' checks, etc.	4,353,318.76	
Total	788,682,848.68	
DEFERRED ITEMS		
Due to other F. R. banks		
Deferred credits—Other F. R. banks	16,590,684.68	
Deferred credits—Member banks	93,383,969.37	
Suspense a/c—Treas. U. S.	242.43	
Total Deferred	109,974,896.48	
Gross Deposits		898,657,745.16
MISCELLANEOUS LIABILITIES		
Gold in custody withheld for expense a/c	594,809.96	
Participation of F. R. banks in Bank of Eng. gold and exchange accounts	70,598,559.53	
Reserve against undetermined liabilities	200,000.00	
Reserve for tax on F. R. bank notes	92,740.42	
Reserve for depreciation, etc.	430,116.35	
Reserve for self insurance	255,706.62	
Participation ctf. L/L bonds	16,280.00	
Suspense a/c—General		
Difference a/c	178.45	
Reserve for Franchise Tax	14,962,518.24	
Total Miscellaneous		87,15[illegible],909.57
CAPITAL		
Paid in by members	24,672,300.00	
Paid in by applicants for membership		
Surplus	49,344,600.00	
Super-surplus	1,962,934.66	
Profit & Loss	2,354,235.59	
Total Capital and Surplus		78,334,070.25
EARNINGS		
Discount earned on bills discounted		
" " " acceptances		
Interest earned on municipal warrants		
" " " U. S. securities		
" " " non current funds		
Discount profit on bills sold		
Commissions earned		
Sundry profits		
Penalties on deficient reserves		
Less Discount loss on notes rediscounted		
" " " " bills sold		
Gross Earnings		
Less Current exp.		
Deduct Inc. / Add Exp. { Real es.		
Net Earnings		
Add Acc. div. rec'd		
Less " " paid		
Amt available for dividends & surplus		
Total Liabilities		1,968,079,099.98

RESERVES		Actual	Arbitrary	
Gold against net deposits	%	27.2		
Gold and lawful money against net depos.	%	42.4	38.2	35.0
Gold against F. R. notes in actual circulation	%	36.6	40.0	42.6
Ratio of total reserves to combined net deposit and note liability	%	39.2		

Contingent liability as indorser on bills rediscounted with other F. R. banks.

Contingent liability on bills purchased for sold to foreign correspondents 6,088,731.32

Enclosure No. 10 Statement of

OUTSTANDING CERTIFICATES OF INDEBTEDNESS

after giving effect to retirement of $1,000,000,000 due June 15 to July 15

The following 8 issues of Certificates of Indebtedness are outstanding as of June 14, 1920.

DUE		AMOUNT	
June 15, 1920	Tax	$728,130,000.	
July 1, 1920	Loan	200,669,500.	
July 15, 1920	Loan	83,903,000.	
Sept.15, 1920	Tax	657,469,000.	
Oct. 15, 1920	Loan	170,633,500.	
Nov. 15, 1920	Loan	102,863,000.	
Dec. 15, 1920	Tax	703,026,000.	
Mar. 15, 1921	Tax	201,370,500.	
Total as of June 14, 1920		$2,848,064,500.	$2,848,064,500.

The three issues maturing in June and July which are fully provided for are:

DUE	AMOUNT	
June 15, 1920	$728,130,000.	
July 1, 1920	200,669,500.	
July 15, 1920	83,903,000.	
TOTAL	$1,012,702,500.	1,012,702,500.

Deducting from above total leaves a balance of . . . .$1,835,362,000.

To which we must add two issues June 15 (amount sold) . . . . . . 400,000,000.

Total C. of I.'s outstanding as of June 16, 1920 . . . . . . $2,235,362,000.

Note a net reduction of $612,702,500 has taken place.

RECAPITULATION OF OUTSTANDING CERTIFICATES EXCLUDING JULY MATURITIES WHICH ARE PROVIDED FOR.

DUE		AMOUNT	
Sept. 15, 1920	Tax	$657,469,000.	
Dec. 15, 1920	Tax	703,026,000.	
Mar. 15, 1921	Tax	201,370,500.	
~~Jan. 3, 1921~~) June 15, 1921)	Est'd Tax	200,000,000.	
Total tax certificates (self liquidating) . . .			$1,761,865,500.
Oct. 15, 1920	Loan	$ 170,633,500.	
Nov. 15, 1920	Loan	102,863,000.	
Jan. 3, 1921) ~~June 15, 1921~~)	Est'd Loan	200,000,000.	
Total loan certificates which may require temporary refinancing			473,496,500.
			$2,235,362,000.

Enclosure No. 7

June 30, 1920.

STATEMENT OF INCOME AND EXPENSES FOR SIX MONTHS ENDING JUNE 30, 1920.

GROSS EARNINGS FROM OPERATION FROM JANUARY 1, 1920 TO JUNE 30, 1920, INCLUSIVE

Discount earned on bills discounted - members	$21,204,985.76	
Discount earned on acceptances	5,097,864.19	
Interest earned on U.S. Securities	981,798.22	
Discount profit on bills sold	371.15	
Interest on non-current funds	4,357.68	
Penalties on deficient reserves	78,173.84	
Profit on sale of French coin (Napoleons)	5,306.15	
Sundry profits	5,893.81	
	27,378,751.00	
Less Discount loss on bills sold and notes rediscounted	85,346.73	
Gross Earnings from operation for six months		$27,293,404.27
Deductions		
Current Expense from January 1, 1920, to June 30, 1920		3,249,711.79
Net Earnings from operation for six months		24,043,692.48
Additions to Net Earnings		
Net Income from Real Estate as per schedule "A" attached	$43,373.62	
Assessment of F.R.Board for expenses for the first six months of 1920. This amount was charged to Profit & Loss Acct. Dec.31,1919, by instructions of the F.R.Board but in order that the amount might be included in the expenses of the current period it was necessary to credit Profit & Loss Acct. as an offset to the monthly charges to "Current Expense" Acct.	168,681.70	
Sundry adjustment items as per schedule "B" attached	2,825.86	
Total Additions to Net Earnings		214,881.18
		24,258,573.66
Deductions from Net Earnings		
Sundry adjustment items as per schedule "C" attached		2,479.17
Net Income Available for Dividends and Additions to Surplus Accounts		24,256,094.49
Deduct Dividend requirements January 1, 1920 to June 30, 1920		
Dividend requirements $24,672,300. at 6% per annum	$740,169.00	
Less accruals paid in	43,880.47	
	696,288.53	
Add accruals paid to liquidating banks	17,450.10	713,738.63
Net Profits for six months ending June 30, 1920		23,542,355.86
10% of Net Profits for six months ending June 30, 1920 retained in Profit & Loss Account by instruction of Federal Reserve Board		2,354,235.59
		21,188,120.27
Transfer to "Surplus" account an amount sufficient to bring Surplus up to 100% of subscribed capital or $49,344,600		4,563,100.00
Balance remaining		16,625,020.27
Transfer to "Super-Surplus" account 10%		1,662,502.03
Transfer to "Reserve for Government Franchise Tax" account 90%		14,962,518.24

After closing the books June 30, 1920, Capital and Surplus Accounts stand as follows:

Capital (Paid in)	$24,672,300.00
Surplus (100% of Subscribed Capital)	49,344,600.00
Super-Surplus	1,962,934.66
Profit & Loss	2,354,235.59
Total	$78,334,070.25

FEDERAL RESERVE BANK

OF NEW YORK

July 2, 1920.

Dear Governor Strong:

Your very interesting communication, written from Tokyo under date of May 29, has been received, and I have enjoyed very much reading your account of conditions in Japan as you have found them during your sojourn there. I have passed the letter around to a few choice souls, including the members of our executive committee and Messrs. Jay, Sailer, Kenzel, and J. F. Curtis, all of whom say they find it both interesting and enlightening. You have had, I am sure, some delightful experiences in visiting the Far East at a time when you have not been obliged to hurry on from place to place but can stay on or move on at your leisure, and I hope you will continue to enjoy the balance of your trip.

I am anticipating with keen interest an account of your views respecting conditions in China. It seems to me that she has vast, potential possibilities, if she could be gradually awakened and guided in the right direction. The general feeling here is in line with the one you have expressed; namely, that Mr. Lamont has done a splendid piece of work in standing by his guns and carrying out American ideas as regards the Chinese Consortium. A few days ago I had luncheon with Mr. Bromley, President of the Shanghai Baptist College, who gave me a short but interesting account of conditions in China, and her relations with Japan, based upon his personal observations during ten years of residence there.

It is hard to believe that you have been gone for quite half a year; and I am sure you will agree that Mr. Jay and I have held to the course suggested in not bothering you unnecessarily with bank details. We all hope sincerely that you have greatly benefited by your rest and traveling experiences and that you will return, the first of the year, in the very best of condition. I am planning to leave the office, to-night, to spend a short time with my family at Rangeley Lake, Maine.

As Mr. Jay will be out-of-town until the first of next week, I am not sure just what matters he has covered in his recent letters to you, and I shall, therefore, briefly touch a few of the high spots. He has probably mentioned our new director, Mr. Richard H. Williams, of Williams & Peters Coal Company, who is a very intelligent, cultured gentleman and a real addition to our board of directors. He succeeds Mr. William Boyce Thompson, who resigned in order to become Chairman of the Finance Committee of the Republican National Committee. Our new counsel, Mr. Edward H. Hart, formerly of the Treasury Department, is working out splendidly, and we are all very much pleased with him. Mr. George L. Harrison, one of our two new deputy governors, arrived here yesterday, and I am sure that, with his wide knowledge of the Federal Reserve System, he will readily slip into harness and relieve other officers in a great degree. Mr. Kenzel, the other appointee, needs no word of mine as to his capability. He was out on the Pacific Coast, attending the Foreign Trade Convention, when appointed, and he was naturally much pleased to receive our wire advising him of our selection.

Mr. Jay has probably written you of the other promotions in our official staff, which have placed Mr. Hendricks in the position of Controller at Large, Mr. Leslie R. Rounds as Controller of Accounts, and Mr. J. Wilson Jones, Controller of Fiscal Agency functions; these promotions, of course, please the organization, and assumption of these functions by the men named will enable Mr. Sailer to devote more of his time to other matters. Mr. James M. Rice, formerly assistant to Mr. J. Wilson Jones, has been appointed Manager of the Government Bond Department.

On Tuesday of this week the bank distributed to its employes the regular quarterly bonus, based upon the figures for the last bonus, which, as you will recall, were:

20% on the first $1,500 or part thereof
15% on the next $ 500 or part thereof
10% on the next $ 500 or part thereof
No additional percentage on amounts between $2,501 and $5,000

Both at the present time and during the January distribution, we have received many expressions of thanks, verbal and written, from various department heads and other employes, for our action in this regard, and a general feeling of satisfaction appears to prevail, some of which may be a "hangover" from the liberal action taken by the bank at the close of last year. The cost of living has not decreased to any appreciable extent, the reduction in price of some commodities being offset by the rise in others, while the housing and high rent problems are most serious.

FOREIGN MATTERS:

With regard to the special arrangement made with the three banks for shipment of silver dollars to China, about which I gave you a memo to take on your trip, the sensational drop in the price of silver has of course made unnecessary, shipments in addition to the $13,000,000 exported in December, January, and February. These silver dollars have all been melted in China and final returns made to us by the three banks on the exchange operations involved. They show a profit of $190,000 on the three shipments after deducting all expenses, and we have been instructed by the Federal Reserve Board to pro rate this profit among the Federal reserve banks. I presume you are aware that the Director of the Mint is now buying American-born silver at $1.00 per ounce to replace the 200,000,000 ounces sold under the Pittman Act. The initial regulations issued by the Treasury, governing the purchase of this silver, were so rigorous as to practically nullify the whole arrangement, but amendments have since been made as a result of conferences between miners, smelters and refiners, and Treasury representatives, so that actual purchases by the Mint are now being made. I understand that about five or six million ounces have been bought up to the present time. This has resulted in establishing two markets for silver; one, the domestic-mined and reduced silver, which is eligible for purchase under the Pittman Act and is quoted regularly at 99 1/2 cents, and the other, foreign silver, which is now quoted at about 90 cents. I see no reason why we should not buy silver for the Bank of Japan, if they request it, and I do not believe it would interfere in any way with the Treasury's program. In fact, I understand that the Treasury is not anxious to make purchases under the Pittman Act at $1.00 per ounce.

We have recently gone through the formality of raising the limit from $10,000,000 up to $40,000,000 on the amount in gold which we agree to earmark for de Javasche Bank. They reached the previous limit of $10,000,000 in May and, anticipating considerable expansion in their currency during the coming export season, inquired whether we would grant them further facilities for earmarking, in view of the removal of restrictions on gold exports. We were of course glad to accommodate them, but,rather than remove the roof entirely, we thought it advisable to place some limit on the amount which we were willing to earmark. We informed them that this was done merely in the interest of definiteness and that we saw no reason why the amount could not be increased if they later found it necessary. We received a letter from de Javasche Bank the other day in answer to our notification of your visit, stating that it will be a great pleasure to them to see you. They further stated that Dr. Vissering had informed them of your trip to the East and that they had accordingly communicated with you, in care of the Embassy in Japan.

Since your departure the Argentine Government has been making rather heavy withdrawals from their deposit with us. The rate of exchange turned against them early in May after heavy shipments of gold had been made from this country in January, February, March and April, and when our dollar went to a premium the withdrawals commenced. Since the middle of May, their balance has decreased from $72,000,000.00 to $34,000,000.00. I understand that the dollars are released by the Argentine Government, however, only against payment in Buenos Aires of the equivalent in gold at a rate of about 104.25.

The Treasury has advised us that beginning this week the Indian Government has removed all restrictions on the private importation of gold. I understand that this is in accordance with the recommendation of the Committee on Indian Exchange and Currency, but that little gold is expected to go to India as a result of this action, owing to the fact that the premium on gold in the Indian bazaars has been reduced to about 4%. Furthermore, in conjunction with the fall in silver, rupees have been weak, being quoted to-day at about 36 cents.

The Bank of Japan agreement has been working smoothly. They still keep $4,000,000 in current account and $16,000,000 in bills. In line with the suggestion made by you at one of the recent governors' conferences, we have offered the other reserve banks a participation in the account, and they have all accepted. The current deposit has been split up among them on a pro rata basis and each reserve bank has assumed a proportionate share of the contingent liability involved in guaranteeing payment of the bills. This is, I think, a good principle to work by, as it spreads any shocks which may occur over the entire system. After discussion with Mr. Jay, I will take up with the Board your suggestion with regard to increasing the $20,000,000 maximum provided for in the agreement. We will discuss with Mr. Nagaike, the new representative of the Bank of Japan, in New York, the matter of a possible exchange of confidential data.

There have been no changes in the German gold account except an occasional sale of gold bars in London to the Bank of Montreal for account of the India office. These are becoming very infrequent, the last two being for $1,500,000 on February 11 and $1,250,000 on May 24. We now have $111,500,000 earmarked with the Bank of England.

The preparations which it is generally believed have been made by the British Treasury to meet their share of the Anglo-French bonds maturing next October have been very interesting to watch and the subject of much favorable comment. As you have probably noticed in the press, they have shipped to this country during the past three months about $75,000,000 in gold, and in addition there have been persistent rumors of further large shipments to meet this maturity. It was reported that approximately $50,000,000 of this gold was used by the British to pay off the Argentine loan of that amount which came due here on May 15. Our banks were unwilling to renew this Argentine loan, as the balance of trade was against us and Argentina was making heavy withdrawals of gold. It was generally understood that Great Britain came forward and furnished the dollars to pay off the loan, but this has never been confirmed. Great Britain has probably made provision for her share of the Anglo-French loan by this time. In doing so she has undoubtedly sold securities in this market and has already retired a substantial portion of the maturing bonds. It is not so clear what, if any, steps France has taken to meet her share of the obligation, or whether she will ship some gold or endeavor to refund some part of the bonds.

CREDIT SITUATION:

The 7% discount rate which became effective June 1st is undoubtedly working good results, but as yet the improvement effected in our reserve situation is practically nil. Its general effect, however, is to exert a steady and continuous pressure upon our banks and borrowers, and I am sure the improvement will come, though somewhat gradually, within the next few weeks. In any event, it has doubtless prevented loans increasing to still higher figures. I should like to see an extra accumulation in our reserves between now and Autumn to furnish a little slack to let out at that time. Undoubtedly the "acid test" of the Federal Reserve System is to come this fall, and I feel certain that it will stand like a rock and meet all calls which are likely to be made upon it. Unfortunately, we are in a political year and, in consequence, will have to undergo a good deal of criticism from time to time, most of which is not justified.

Our loans to banks and the volume of Federal reserve notes outstanding are now at the maximum point. Within the last few months we have shipped nearly $50,000,000 of Federal reserve notes to Cuba and our Insular Possessions. This, together with inflated wages and inflated prices that prevail, tends to keep our circulation at a high point. The accompanying statistical information relating to our reserve position as of June 25 will, I am sure, be of interest to you. You will observe that New York has undergone a substantial liquidation in net deposits, in loans and in its borrowings by "city banks." This reduction, however, has been more than absorbed by the rest of the country - labor troubles and inadequate transportation facilities are responsible for this in large measure. The volume and value of "goods in transit" has increased amazingly this year.

Enclosure No. 1.

In reviewing the clearing house statement for last Friday, June 25, I notice that, while the clearing house member banks carried with us a reserve of $550,000,000, they have in addition to this nearly $100,000,000 in "Cash in Vault," which includes their gold holdings, the gold item having been eliminated from their statement some time ago. Of this large surplus cash, the National City Bank has approximately $15,000,000, the Mechanics & Metals, $11,000,000, and the Hanover National, about $8,000,000. As the first two banks are large borrowers here, our executive committee has authorized me to suggest to the proper officers of these institutions the idea that, at a time when their borrowings here are excessive, we think it inappropriate to lend them additional money for the purpose of locking it up in their vaults, when they could reduce their line with us by depositing some of their surplus gold or other cash holdings.

In this connection, I see in to-day's paper that the Bank of England is having its own troubles, which appear to be due largely to the semi-annual window-dressing carried on by the joint-stock banks. Their reserve, as of June 30, 1920, was but 8%, against 15% the previous week. (8% is said to be the lowest reserve on record). This was apparently caused by an increase in deposits of 55,000,000£ sterling and an increase in circulation of 5,000,000 £ sterling. I am enclosing a memorandum on this, showing some interesting figures.

Enclosure No. 2.

BANKERS ACCEPTANCES:

This market is in a fairly satisfactory condition, with a steady growth in the number of country banks throughout the district which are accumulating them as secondary reserve. We of course have had a large portfolio throughout the year. I am anxious to see the time come when these bills will constitute the real secondary reserve of our member banks. In connection with the bill market, I am enclosing with this a memorandum prepared by Mr. Kenzel and his assistant, Mr. O'Hara, together with two booklets recently published by the American Acceptance Council. [See Kenzel file]

Enclosures Nos. 3, 4, 5 and 6.

CALL LOAN SITUATION:

The call loan situation leaves much to be desired. My judgment is that the "sharp call loan," based upon non-liquid - in fact, absolutely rigid assets, constitutes the missing link in our financial chain. In the last week we have had high rates, ranging all the way from 8% to 15%.

NORTHERN NEW JERSEY CLEARING HOUSE ASSOCIATION:

The Northern New Jersey Clearing House Association, which embraces practically all the institutions in Hudson County, is now in operation, using one of our buildings at 37 Liberty Street for its clearing house. This is, I think, a good, constructive piece of work and greatly expedites the prompt collection of checks across the river. I have no doubt that presently Newark, Paterson, and other nearby towns will knock at its door for admittance.

BANK EARNINGS:

The earnings of the bank for the six months period ended June 30, 1920, are approximately $24,000,000, or equal to about 100% on our capital stock. I am enclosing a copy of some *estimated figures which Mr. Rounds has prepared for me, as of June 19, which are substantially correct. These figures have not been published, but I am expecting to hear a very loud wail from our member banks when our earning figures for 1920 are given out. I further enclose a copy of our balance sheet, showing resources and liabilities as of June 30, after closing our books, giving figures for total capital and surplus of more than $78,000,000.

Enclosures Nos. 7 and 8.

Governor Harding recently advanced the idea of assessing monthly against each Federal reserve bank a tax based on the average amount of its notes outstanding. This suggestion did not find favor with this bank, and Mr.

*June 30 actual figures now given.

Jay has written to Governor Harding, opposing the idea.

CONSOLIDATIONS:

Since you have been away there have been many consolidations effected between our New York City institutions, with most of which you are familiar. There is a well-recognized tendency towards larger banking units - a movement which I am glad to see, always providing, of course, we are developing bankers sufficiently trained to handle the work properly.

CERTIFICATES OF INDEBTEDNESS:

The United States Treasury Certificates of Indebtedness market has very materially improved during the past two months. Up to May 1 the Treasury was very much averse to having the certificates traded in at any rate other than the coupon one. I finally succeeded in convincing Mr. Leffingwell that his policy was wrong and was very harmful to the certificates, and he eventually concurred in my views, with the result that open market trading has worked a decided improvement in the certificates situation. In this connection I am enclosing copy of a letter from Messrs. Salomon Bros. & Hutzler addressed to us under date of June 28, which speaks for itself. We have from time to time purchased small amounts of these certificates from them under a sale and repurchase agreement.

Enclosure No. 9.

The Treasury has at last come abreast with the money market by writing in its last issue of certificates interest at the current market rates; 5 3/4% for the January 3, 1921 maturity, and 6% for the longer, June 15, 1921 maturity. These certificates were distributed through the usual channel - the banks, and have been absorbed largely by private investors, such as savings banks, life insurance companies, trust departments of financial institutions, and individuals, so that few of them remain in the banks. I enclose a memo showing the amount of outstanding certificates as of July 15, at $2,200,000,000.

Enclosure No. 10

LIBERTY LOAN BONDS:

With regard to the Liberty Loan bond market, as the credit pressure has become more and more pronounced there has been a great deal of selling on the part of industrial concerns which originally bought the bonds for patriotic reasons and which have since felt obliged to sell in order to supply themselves with necessary funds for current business operations. The Liberty Loan bond market now, however, is standing on its own feet, the Treasury having withdrawn from the market some six weeks ago. Buying is good and comes largely from those concerns and individuals who regularly accumulate investment funds.

Section 6 of the "Victory Loan Act" provides that for the fiscal year beginning July 1, 1920, and for each fiscal year thereafter until all bonds and notes are retired, there will be an appropriation equal to 2 1/2% of the aggregate amount of Liberty Loan bonds and Victory notes outstanding on July 1, 1920, less the amount of any obligations of foreign governments held by the United States on July 1.

Estimating the total outstanding at $20,000,000,000 and deducting the foreign obligations of $10,000,000,000, leaves a total of (approximately) $10,000,000,000, 2 1/2% of which amounts to $250,000,000 to be purchased annually by the Treasury.

The War Finance Corporation and the United States Grain Corporation are being liquidated and will soon be out of business.

Mr. Leffingwell has resigned and leaves his position at noon, to-morrow, July 3. Mr. Gilbert, his understudy at the Treasury, is to succeed him. I am very glad to report that our relations with the Treasury Department are of the most cordial nature, and that they are inclined not to fix any interest rate for certificate issues without first obtaining our views on the subject and then following them.

NEW BUILDING:

Mr. Jay has doubtless written you about our recent real estate purchase on Maiden Lane, acquired for the purpose of erecting immediately a storage warehouse, with the thought in mind that it will be completed by May 1, 1921, thus enabling us to move our staff from 37 Liberty Street to the new building, before we begin tearing down the property on our new home site.

CONCLUSION:

This letter is somewhat of a hodge-podge, because I have merely hopped around from one high spot to another. I hope, however, that you will find some of the information of interest.

Mr. Jay and I have not arrived at any definite understanding as to your suggestion of meeting you in England this winter. It is my belief that Mr. Jay rather hopes to go abroad next year with his family. If this is his conclusion, I shall be very glad to adopt your suggestion. I will have a frank talk with Mr. Jay about this matter very soon, because I feel that if he would really like to go over this fall, he should have the opportunity of doing so.

With the best of luck to you and your party during the balance of your time, I am,

Cordially yours,

JHCase

Enclosure No. 2

BANK OF ENGLAND'S STATEMENT

	June 30,1920.	June 23, 1920.		
Circulation	£ 120,060,000	£ 115,240,000	Inc.	£ 4,820,000
Public deposits	15,647,000	17,869,000	Dec.	2,222,000
Other deposits	175,936,000	118,471,000	Inc.	57,465,000
Government securities	91,097,000	53,003,000	Inc.	38,094,000
Other securities	103,188,000	80,139,000	Inc.	23,049,000
Total reserve	16,274,000	21,025,000	Dec.	4,751,000
Bullion	117,882,136	117,815,415	Inc.	66,721
Proportion of reserve to liabilities	8.49%	15.40%	Dec.	6.91%
Bank rate	7	7		

1126 MARTINE AVENUE
PLAINFIELD, N.J.

August 30. 1920

Dear Mr Strong!

Just a word or two about a personal matter that I want you to know about.

A few days ago Mr Marston of the Farmers Loan sent for me and when I called promptly asked me if I was perfectly happy at the Federal Reserve Bank.

I assured him that I was, that I greatly enjoyed the work and that my personal relations with the Officers and Directors left nothing to be desired.

He then told me that his reason for asking such a question was that he was now in his 70th year that he was proposing to retire as President to become Chairman of the Board and that the Executive Committee had asked him to nominate his successor and that he was proposing to suggest me for that Office. I of course told Mr Marston that the suggestion was an interesting one and that I would be glad to consider it.

Meanwhile I have talked it over quite frankly with Mr Jay and with Mr Alexander, they are inclined to agree with me that the proposal is an interesting one and in some respects ideal for me

One thing is certain I cannot afford to pass this up - assuming a definite proposal is now made - unless I am prepared to say in effect that I am ready to cast in my lot with the Federal Reserve Bank for good and all.

I have had one or two other suggestions recently that did not interest me at all, one quite definite to go up to the Park in some satisfactory capacity and assume responsibility for their credits, at $50.000 per annum.

Now the fact is I love the work and my interesting associations at the Federal Reserve and deeply appreciate some kind things which Mr Jay has been good enough to say regarding my humble efforts there. On the other hand I recognize that my active banking service is limited to 15 or 20 years my personal accumulations are quite moderate $60.000 to $70.000 with $150.000 life insurance so that the idea of assuming the Presidency of my good old Company has an appealing side to it. I understand that the proposal to merge with another important institution has been considered and definitely abandoned. I would give a good deal for the opportunity of sitting

1126 MARTINE AVENUE
PLAINFIELD, N.J.

down and chatting this over with you but as that is not possible there is nothing to do but to lay the matter before you in this most unsatisfactory fashion

I hope this may reach you before a definite proposal comes along so that I may have the benefit of your reaction by cable I have already told the [illegible] that I should hope in any event not to make any change before January first

in the hope that you may
be back here about that time.

Frankly as I have
turned this over in my mind
I think I shall be inclined
to accept, assuming that
Mr McCaa make satisfactory
arrangements for taking
care of Sam Sloan in case
he desires ~~to stay~~ it.

Cordially yours
J.H. Case

I hope to write you about
certain Bank matters in a day or so.
JHC

FEDERAL RESERVE BANK

OF NEW YORK

October 21, 1920.

Dear Mr. Strong:

It seems scarcely possible that we are in the middle of autumn and that three-fourths of your year's vacation has slipped by. We are all delighted to know from the messages you have sent to us and to friends outside that you have fully regained your strength and are longing to get back on the job. This has the right ring to it. All this month I have had it on my mind to sit down and write you a long letter but have permitted various matters to interfere. This afternoon, however, I am determined to fly at it.

Acting upon an invitation from the directors of our Buffalo Branch and at the suggestion of our own board, I visited our Buffalo office for the first time about two weeks ago. The impression I gained of the way in which their activities are carried on is altogether favorable. Mr. Gidney has proved to be exactly the right man for the place and the Buffalo bank presidents have taken him not only to their hearts but out on their golf links as well; so that, in some instances, they are calling each other by their first name.

I had a most delightful visit with our mutual friend, Mr. Locke. He was good enough to put me up at the Buffalo Club, entertaining me there at a luncheon which most of the Buffalo bank presidents attended, and altogether was exceedingly kind. For Mr. Locke's perusal I took with me your letter written from the Fujiya Hotel at Miyanoshita under date of May 29. He has just returned it, with the comment that it is one of the most interesting letters he has ever read and that there are but few men who could prepare such an exposition. He also told me that he is looking forward to the fulfillment of your promise to spend a week with him at his home in Buffalo some time after your return. He said he proposed that you should be a free lance, to come and go as you please; but I do know that he is eagerly anticipating such a visit from you. I hope you will try to make it.

In my last letter I suggested that the Federal Reserve System would undoubtedly be under fire this autumn. It is - both from political and economic angles and then some! And while the System as a whole has come through all of these attacks with flying colors, it has at times been just a bit distracting. Applying David Harum's theory that "a few fleas are good for a dog,because they keep him from brooding over the fact that he is a dog," these annoyances serve a useful purpose and should grow less after November 2nd.

Mr. Jay is in Washington to-day reading a paper before the National Bank Section of the American Bankers Association Convention. Last week he and I attended a joint conference of the chairmen and governors of the twelve Federal reserve banks with the Federal Reserve Board. After the joint discussion, the members of the conference separated, the governors holding their own meeting in one place and the chairmen holding theirs in another. In this connection I am enclosing for your information a brief resumé of the topics considered by the governors and a statement of the action had thereon.

Enclosure No. 1.

GENERAL CREDIT SITUATION:

This topic is uppermost in the minds of the commercial, industrial and banking world and is one about which volumes are being written. Of course, there are many vital factors in credit granting under present conditions. Suffice it for me to say that the fall in commodity prices has not yet penetrated generally to retail trade, which is quite dull. The decline in cotton and wheat, however, is causing great pressure on public authorities for banking accommodation to enable growers to hold off their products from the market for higher prices. Secretary Houston and Governor Harding have had to bear the brunt of their appeals and criticism and have stood like a rock - "more power to 'em." We, like all the countries of the world, are feeling the effects of the readjustment period which, I take it, is going to last quite a spell before normal conditions obtain. The editorial by Dr. Frank Crane, entitled "The End of the Vicious Spiral," expresses, I think, the general feeling that the end of the expansion spiral has been reached and that we are beginning more nearly to approach normal. The sobering-up process, although necessary and wholesome, is always disagreeable while being gone through.

Enclosure No. 2.

I well remember my discussion with you, before you left, on the subject of a general raise in discount rates as the one important means of effecting a control, and while we were somewhat tardy in applying this remedy practically everybody is beginning to recognize that it is the one most effective measure. There are, of course, some critics, notably Senator Owen, Comptroller Williams, and the Manufacturers Record of Baltimore, representing that school of thought whose adherents want the throttle left wide open at all times and who seem to believe that the measures taken have been too drastic. This view is very graphically pictured in the accompanying cartoon by Ding, which I recently clipped from the New York Tribune.

Enclosure No. 3.

Mr. A. Barton Hepburn, who, you will recall, is now a member of the Federal Advisory Council, confirms Mr. Alexander's view that the demand for credit is still fierce. Our directors have invited him to meet with them each month.

BANK OPERATIONS:

On October 15 the total earning assets of this bank reached a new high total - $1,148,542,000. As a matter of fact, the week of October 15 was a red-letter week in many of the departments of the bank. On October 14, for instance, the transit department handled a total of 327,000 items, a new high record volume of business and 80,000 items above the previous highest single day's total, which occurred just a year ago - October 14, 1919. The reason for the handling of such an enormous volume of items on October 14 is due to the fact that business generally is not held up on October 12 (Columbus Day) as is the business of banks, and the total given above is, consequently, representative of nearly two days' business.

Enclosure No. 4.

Mr. Sailer has had prepared for me a statement of the turnover transactions of the bank as of Friday, October 15, of which I am enclosing a copy. You will observe that the grand total turnover of the bank for that one day was just a bit short of one billion dollars. The interesting feature of these transactions is the comparative ease with which the turnover was effected. The redemption of $225,000,000 Anglo-French bonds on October 15 was not, of course, reflected in our figures until the following day and merely resulted in some large shifts of reserve balances.

REDEMPTION OPERATIONS:

In connection with large redemption operations in this market, I am beginning to recognize the fact that we have to think of these in two terms; that is, Federal reserve funds and clearing house funds. All Government operations are, of course, settled in Federal reserve funds. The accompanying comparative statement shows the effect that the quarterly tax certificate redemptions have exercised on our reserve here during several quarterly tax periods. You will observe that in each instance the process results in:

Enclosure No. 5.

(1) An increase in reserve balance of member banks; and

(2) A decrease in their borrowings here,

the two items approximating the amount of certificates redeemed, which inevitably necessitates a temporary advance to the Government. Thereupon, checks sent for tax payments proceed to go through the works, bringing down the excess reserve balance of member banks and building up the Treasurer's account, enabling the Treasury promptly to liquidate its indebtedness.

Shortly before September 15 I found that we were steadily losing money to other districts through the Gold Settlement Fund. At first I was inclined to think that these heavy withdrawals of funds from our New York member banks were for crop-moving purposes, but a study of the estimated tax receipts and certificate redemptions to be effected on September 15 convinced me that these losses were due, in some measure, to an inequitable distribution of the maturing certificates. Out of $650,000,000 of certificates to be redeemed, New York, with but $210,000,000 of taxes to pay, held some $400,000,000 - a large oversupply; while Chicago, for instance, with $125,000,000 of taxes to pay, held but $35,000,000 of the certificates - a large undersupply. In view of the fact that we were sliding under our reserve, I arranged, about one week prior to September 15, to purchase from our member banks some $45,000,000 of these certificates and resell them to some of the other districts that were undersupplied. This sale furnished us with $45,000,000 additional gold and obviated the necessity for rediscounting with other Federal reserve banks. A little synopsis of "movement of funds" appears in Mr. Jay's monthly review under date of September 30. You will be interested in looking it over, together with the accompanying charts which tend to visualize these figures. The Gold Settlement Fund is certainly a smoothly working machine.

Enclosures Nos. 6, 7, 8 and 9.

CERTIFICATES OF INDEBTEDNESS:

The certificates of indebtedness market is now in excellent shape. An active open market obtains for all issues, with the result that our member banks are no longer complaining about certificates of indebtedness being a frozen asset. The interest terms of all Treasury certificates have for months been very satisfactory, and our relations with the Treasury Department are on a most cordial basis. Mr. Gilbert, the Assistant Secretary of the Treasury, has just sent me a statement of the Public Debt of the United States as of June 30, 1920, showing on the reverse side "Securities Owned by the United States Government."

Enclosure No. 10.

You will be interested to know that Mr. Leffingwell has, as of October 15, rejoined his old firm of Cravath & Henderson, which will hereafter continue under the name of Cravath, Henderson, Leffingwell & DeGersdorff.

BILL MARKET:

The bill market is slowly but steadily developing on a fairly sound basis. The one outstanding weakness, to my mind, is the disinclination of our city banks to make substantial loans to dealers except at rates comparable to the call money rates then obtaining. I am hoping that the educational work along this line, which is steadily going on, may presently be productive of results. The number of out-of-town banks which are purchasing bills is constantly increasing. So far this year we have purchased in excess of $31,000,000 for the account of 188 country banks.

BANK CONSOLIDATIONS:

The growing tendency towards bigger and fewer banks, which I touched upon in my last letter, continues, and there are numerous consolidations and several large capital increases taking place. The National City Bank is putting out some new stock, increasing its capital from $25,000,000 to $40,000,000, and, with its surplus and undivided profits of $65,000,000, will have a total of more than $100,000,000, thus retaining first place in this regard.

MISCELLANEOUS:

The second Organization Chart was brought out September 1st. Our member banks were notified of this and upon request we furnished them with copies as desired. The comments upon it are most favorable. I feel that Mr. Hopf has done a good piece of work in this regard and believe the adoption of the policy exemplified by the chart has resulted in developing a great many of our junior officers. I am enclosing three copies of the manual for your information and use.

Enclosures 11, 12, 13

Our statistical department is now furnishing the general officers with a daily summary of newspaper items relating to the Federal Reserve System and general financial topics, which service we find very useful.

Enclosure No. 14

FOREIGN MATTERS:

Bank of England. The first shipment of gold from the Bank of England arrived here on the Baltic on October 1 and was transferred to the Assay Office on the following day. Since then we have received five more consignments. The Bank of England has sent a schedule of the proposed shipments which shows that they are sending the gold in twelve instalments, the first eleven consisting of 1,000 bars each with a value of about $9,500,000 for each shipment, and the last or twelfth being made up of 750 bars with an approximate value of $7,000,000. According to this schedule, the last shipment should leave England about October 30; so that we shall probably have all of the gold here early in November.

We left the detailed arrangements for shipment of this gold entirely in the hands of the Bank of England, and I am very favorably impressed with the thorough and expeditious manner in which they are handling the transaction. Each shipment is accompanied by an elaborate statement in book form, showing the number, weight and fineness of each bar. The bars are very carefully packed in saw-dust in boxes, three bars to a box, and a box of assay pieces, carefully wrapped, accompanies each shipment. All of the gold is being transferred to the Assay Office, but from present indications we will not receive the final returns for some time after the last consignment is deposited, as the Assay Office cannot remelt and assay the bars as fast as we are delivering them. However, this will not inconvenience us, as the gold has not been taken out of our reserve.

Sir Charles Addis, who, you will remember, is a director of the Bank of England, called here to-day with an introduction from Mr. Montagu Norman. I understand that he comes to represent Great Britain at the conference to be held here in connection with the Chinese Consortium arranged by Mr. Lamont. Sir Charles is a most delightful fellow and has a well-developed sense of humor. His observations on some of our laws are very interesting. He commented upon the notice posted in the subways warning that the "penalty for spitting might be a fine of $500, or imprisonment for one year, or both," and facetiously remarked that in England the fine for killing a man might be thirty shillings or thirty days. I made arrangements for Sir Charles to spend next Monday with us. Mr. Jay, I know, hopes to have a talk with Sir Charles and we shall want to entertain him at luncheon and extend whatever courtesies we may during the balance of his short stay here.

Bank of France. Our arrangement with the Bank of France to assist them in retiring their share of the Anglo-French loan which matured October 15 by accepting a deposit of earmarked gold with them, was not availed of. The terms upon which we agreed to accept such a deposit as outlined in our letter to the Bank of France dated September 9, copy of which I understand was enclosed in Mr. Jay's letter to you, were accepted by the Bank of France. We recently received a letter from M. de Sieyes, their representative in New York, inquiring whether this arrangement was limited to deposits made on or before October 15, 1920, or whether it was intended to continue in force until canceled. I am enclosing a copy of this letter which was dated October 13, together with a copy of our reply. You will note that I have explained to M. de Sieyes that the proposition was considered by our directors and the Federal Reserve Board only in the light of an emergency transaction undertaken to assist France in the retirement of her share of the Anglo-French bonds and not as a continuing facility in force until canceled. We do not feel that we should enter into a commitment to accept gold earmarked with the Bank of France for an indefinite period in the future and without knowing in advance the reasons for such earmarking. If an occasion should arise in the future similar to the retirement of the Anglo-French bonds, we would, in all probability, agree to accept a deposit of earmarked gold with them if they so desired. It was felt that the best way to handle the matter without giving offense to the Bank of France was to grant an extension of three months, thereby intimating our unwillingness to make an indefinite commitment, and bridging the gap until the matter could be discussed personally with M. Robineau when you visit the Bank of France, at which time I presume you will wish to take up with him the question of establishing our relations upon a broader basis similar to the Bank of England agreement.

Enclosures Nos. 15-16

You will recall that in Mr. Jay's last letter there was enclosed a copy of a cable which we sent to M. Pallain upon his retirement as governor. You will be interested in the enclosed copy of a translation of M. Pallain's acknowledgment of that cablegram. We have been informed by the New York representative of the Credit Commerciale de France that M. Pallain has just joined the board of directors of that institution.

Enclosure No. 17

Enclosure No. 18.

Russian Gold. I am enclosing for your information copy of a cablegram received from the Bank of England as to the status of importations of Russian Gold into this country, together with our reply. Recently, about five million Russian gold rubles arrived in New York from Sweden consigned to Brown Brothers & Company which, together with a small importation to some unknown importing concern in New York, was offered to the Assay Office. The Assay Office refused to take the rubles until instructions were received from Washington, and the Treasury Department has advised Brown Brothers that before a definite answer can be given, the Treasury must know whether Brown Brothers & Company will warrant without qualification the title to the gold and assume responsibility for any complications which might arise in the future as a result of the Assay Office's accepting delivery of the rubles. Brown Brothers have given an unqualified guarantee as to title but, to my knowledge, the matter has not progressed beyond that point, the Treasury still having it under consideration. The State Department has received confidential information from Sweden that the five million gold rubles mentioned above are being sent into this country to finance radical propaganda. Mr. Montagu Norman, in a recent letter, stated that their policy in England in regard to Russian gold had been practically the same as that outlined in our cable to the Bank of England.

Bank of Japan. I have talked with Mr. Ichinomiya of the Yokohama Specie Bank, Ltd., regarding the matters outlined in your recent letters from Japan. We are giving Mr. Nagaike each week some information regarding business and credit conditions for his cable to the Bank of Japan, and he is sending us some data as to conditions in Japan.

The special representative from the Bank of Japan, Mr. Yashikawa, whom you mentioned in a recent letter, called at the bank a short time ago and is now making a thorough study of our operations under the guidance of Mr. Jefferson. He plans to spend about six weeks here examining carefully the workings of each department. We are collecting a set of books to be sent to Governor Inouye, in accordance with your recent request.

Mr. Ichinomiya called at the bank to discuss Japanese operations in this market, their balances here,and the probable withdrawal of gold during the autumn. He said that his bank had pursued a very conservative course since last February, with the result that they are now in a strong cash position and have accumulated substantial cash balances both in this market and at home.

He further stated that, taking the Japanese banks as a whole and including balances of the Japanese Government, they have in this market, in the form of cash, Treasury certificates, and bills, approximately $300,000,000, one-third of which is invested in United States

Treasury certificates of indebtedness. They have, within the past few months, shipped to Japan about $20,000,000 of gold, and Mr. Ichinomiya is of the opinion that it will probably be necessary to ship a further moderate amount of gold (not exceeding $8,000,000 to $10,000,000 a month) this year. He stated also that they fully appreciate the general credit situation that exists in this country at the present time and that they propose to make their gold withdrawals just as moderate as possible. I thanked Mr. Ichinomiya for coming in and chatting over the situation, and assured him that we are of course quite prepared to facilitate the export of gold to which he alluded.

Mr. S. Imamura, New York Agent of The Sumitomo Bank, Ltd., called to say that he has had the pleasure of meeting you in Japan and left with me a few snapshots of your party, which we have all enjoyed looking at.

Japan's Plan to Stabilize Silk Prices. You may be interested to know that in order to stabilize the prices of raw silk in Japan the silk houses, in conjunction with the government, have organized a concern, "The Imperial Raw Silk Corporation," to purchase raw silk at a fixed price. We learn from the New York representative of the Bank of Japan that the capital of this company is 15,000,000 yen, all to be subscribed by the exporters, manufacturers, and other branches of the trade. In addition to exercising general supervision over the activities of the company the Japanese government is empowered to lend up to 50,000,000 yen for the purpose of purchasing silk, these transactions being done through the Hippottiek Bank of Japan. All purchases are to be made at 16.50 yen (about $8.00) per 1,000 kin (about 1,325 pounds) "extra" and 1,500 yen for "Shinshui No. 1." These are approximately the prevailing prices, and for that reason it is not likely the purchasing by the Imperial Raw Silk Corporation will be extensive for the present unless raw silk again drops to its low price of about 1,000 yen for "extra" reached during the crisis in April and May.

It has occurred to me that in connection with your stay in London and Paris you might like some information regarding British and French loans maturing in this country during 1921. There are the $50,000,000 City of Paris five-year 6% gold bonds maturing October 15, 1921. In addition, the new $100,000,000 twenty-five year external French loan just floated in this market calls for an annual payment to J. P. Morgan & Company of $4,400,000 as a sinking fund to be applied to the reduction of the principal to the amount of $4,000,000 annually. During the first five years payments are to be made by the French Government quarterly and to be used to buy up these bonds in the market at 110.

The British Government has a maturity of $150,000,000 to meet on November 1, 1921, when the United Kingdom of Great Britain and Ireland five-year 5 1/2% bonds come due. We are informed that at present there are about $129,000,000 of these bonds outstanding, the difference representing bonds already bought up by the British Government. The Canadian Government has two loans falling due here next year, one for $25,000,000 being five-year 5% gold bonds due April 1, 1921, and the other for $15,000,000 in two-year 5 1/2% gold notes due August 1, 1921.

CLOSING:

Your son, Ben, I take it, is still with you. If so, both he and you will be interested in the following report from Mr. Gilbart regarding Mr. Edward Douglas:

> "During the short time he has been with us, Mr. Douglas has made remarkable progress. He has covered almost every position in the discount department with credit to himself and the highest commendation from his chief and supervisors. He is an exception to the average college man - sticks to his job, does not hesitate to do anything that is asked of him to the best of his ability, does not think that he knows more about the work than his chief, and is well liked by all in the department, because he has a splendid personality and because he does not try to impress upon his co-workers the fact that he is better educated than they. He has a quiet, determined manner and is ambitious to learn everything he possibly can.
>
> "When he came with us, I told him it was our idea to have him work for short periods in all the various departments in order that he might eventually qualify for an executive or semi-executive position. With this in mind, I spoke to him two months ago about transferring him, but he said that he felt there was a great deal more that he would like to learn about the discount department and requested that I defer the transfer. I spoke to him again, last week, about taking up some new work in another division, but he again requested that he be left in the discount department a short time longer, as he had been given some new work which he said he had not quite mastered."

The political campaign has been rather a quiet affair without quite the usual public interest in it. At this writing, it looks very like Harding. Mr. Jay has cabled you that under existing credit conditions it seems wiser for both of us to remain here on the job this fall rather than to make the suggested trip abroad. I am sure you will appreciate the wisdom of this decision.

We are all looking forward to your return to the bank the first of the year and are glad that you are feeling so fit.

Possibly this may be my last line to you before you return; in any event, it may not reach you much before the holiday season, so I just want to take this opportunity to wish you and your party the Season's best.

Sincerely yours,

JHCase

J. H. CASE.

Enclosure #14

Mr Case

NEWSPAPER REVIEW
ON
FEDERAL RESERVE SYSTEM AND FINANCIAL SITUATION

October 21,1920
No.35

Daily summary prepared by the Federal Reserve Bank of New York, Statistics Department, Reference Library. The original clippings may be obtained from the Library, phone Automatic 230, Bell 343.

A.B.A CONVENTION

Federal Reserve.

1. State bank relations - Resolution adopted "condemning and ~~depreciating~~ deprecating method employed by the Board" in its relation with State banks which are not members of the System. (New York Tribune, p.1)

2. Par collection - Par clearance of checks subject of heated debate, Charles Claiborne, of New Orleans, contending that banks were entitled to compensation and C.H.Wolfe, of Philadelphia defending staunchly Reserve regulation which "saved bankers and commercial interests $135,000,000 last year." (New York Herald, p.20: New York Commercial, p. 1 and 3)

3. Credits - Position of Board on essential credits endorsed by Dr. Parker Willis, who pointed out it involved the same general principles of sound banking that had always been recognized. (Journal of Commerce, p.9)

Estimates for coming fiscal year.

4. Government estimates - $4,000,000,000 of Government expenditures, during next fiscal year forecast by Secretary Houston. Plans to redeem entire "floating debt" by end of fiscal year 1922; to this end tax basis must not be so low as to allow revenues to fall below expectations. (Journal of Commerce, p.9)

5. Export financing - $100,000,000 corporation to aid United States foreign trade and to operate under Edge act will be established about January 1921. One of the recommendations is that representatives from Federal Reserve districts should be on board of directors. (Journal of Commerce, p.1 and 9)

6. Liberty bonds - Treasury is opposed to refunding of Liberty bonds into obligations bearing a higher rate of interest. (Wall Street Journal, p.7)

7. Editorial comment - A.B.A. and not Reserve Board proper source of possible help for farmers. (World, p.12)

Report on "stabilized dollar " emphasizes injustice of a scheme which does not stabilize the goods side at same time as money side, as only real stabilizing factor is larger output. (Journal of Commerce, p.6)

A.B.A. CONVENTION
(continued)

Editorial comment

8. Proposed Edge law corporation will provide machinery for financing exports with investment rather than commercial banking funds and thus will secure greater public support. (Journal of Commerce, p.6)

UNITED STATES - GENERAL

Farmers

9."Strike of the Farmers" useless in face of world downward trend of prices, as is criticism of Federal Reserve Banks which have extended five times asmuch credit as was possible under old system. Orderly marketing only possible basis for further advances. (Wall Street Journal, p.1, Editorial)

"Country cannot afford to bond itself any further for the benefit of a special interest." (Journal of Commerce, p.6)

Trade acceptances.

10. Trade acceptances are gaining in favor as indicated by result of questionnaire sent to paint trade which shows that 40% of members are using them. (New York Commercial, p.9)

Waterway for wheat trade.

11. Deep sea waterway through Great Lakes and St. Lawrence river endorsed by Herbert Hoover as means of increasing production of wheat for export,through estimated saving to farmers of at least 10 cents per bushel. (World, p.17)

Gold

12. Gold stock of United States $2,704,672,504 on October 1, which is highest figure since March 1, 1920. (New York Commercial, p.3)

Money market.

13. Easier money market soon is predicted by M.L.Farrell, who gives detailed reasons. (Financial America, p.9)

Savings deposits.

14. Savings deposits grow in New York State inspite of high cost of living. The number of depositors on July 1 being 112,047 more than on January 1. (Tribune, p.11)

Taxation

15. Repeal of excess profits tax,recommended by National Industrial Conference Board, - the loss of revenue to be offset by other taxes. (New York Times, p.17)

Philippine bonds.

16. Philippine $6,000,000 bond issue had three other bids besides high offer of W. A. Read & Co. and Kuhn, Loeb & Co., bidding jointly.

(Financial America, p.4)

FOREIGN

Cuban loan
17. Cuba needs aid of American banks to finance sugar. Similar condition might result in this country if our banks could not obtain loans from each other. Moratorium probably be lifted November 1. (Wall Street Journal, p.12)

Dollar securities committee.
18. Operations of American dollar securities committee summarized from official report. Of interest in connection with approaching date for paying off Anglo-French 5% bonds. (Journal of Commerce, p.9)

French loan.
19. French national 6% loan of 1920, is intended in part for redemption of currency of national banks of France. Subscriptions are officially opened. (New York Commercial, p.5)

20. French public stirred by high interest rates on $100,000,000 loan, but newspapers point out that it is reasonable when compared with Belgian and Swiss loan. (Tribune, p.19)

Capital for Germany.
21. Germany would like United States capital in Ruhr coal region to remove menace of French seizure. Speech by Deputy in Bavarian parliament. (New York Commercial, p.1)

Germany
22. Germany's financial misery grows, due to new depression of the mark, discouraging industrial reports, withdrawal of German credits by Americans and fear of Bolshevism. (Journal of Commerce, p.11)

Brazilian loan
23. An attempt to confirm report of $40,000,000 Brazilian loan is without result. (Journal of Commerce, p.10)

China.
24. United States signs trade treaty with China, providing graduated increases in 5 per cent flat rate permitted on imports. (New York American, p.9)

Russian currency.
25. How new Russian "czars" are deluding their own people and flooding world with promises to pay not intended to be kept is described by Fred. J. Kent at A.B.A. (Wall Street Journal, p.6)

Danish loan.
26. Amount given today is $25,000,000 instead of $20,000,000 given yesterday. (Financial America, p.4)

Russian gold Enclosure #18

COPY OF CABLE FROM BANK OF ENGLAND.

"Can you inform us in confidence whether gold from Soviet Government or of Soviet origin is allowed to be imported into United States."

COPY OF OUR REPLY.

"Confidential Replying to your telegram of September 17 there are at present no legal restrictions on physical import Russian gold into United States. Russian gold from Sweden has been offered for sale here to several banks but we understand without success banks being unwilling to buy such gold because of uncertain title and possibility of future attachment. For similar reasons we would not care to buy Russian gold at this time. As to purchases of Russian gold by United States mint or assay offices we understand none has yet been presented and action of Treasury will depend largely on particular circumstances prevailing at that time but Treasury would insist that depositors of such gold be thoroughly responsible parties and that they warrant without qualification or reservation whatever title to the gold. Furtheremore in case Bolshevik gold presented to any mint or assay office Treasury would probably desire assurance from State Department that title to the gold if purchased would be valid internationally and such assurance will not be sought until specific case presented."

FEDERAL RESERVE BANK

OF NEW YORK

November 26, 1920.

Dear Governor Strong:

Both Mr. Jay and I have written you regarding our arrangement with the Bank of France to accept earmarked gold with them against corresponding credit to their account here in New York, but it occurs to me that since your mail has been sent to Morgan, Grenfell & Company, London, you may not receive these letters before your visit to the Bank of France, and as there is one phase of the matter which Governor Robineau will undoubtedly discuss with you, I thought it best to write to you again on the subject direct to the Bank of France.

I am enclosing copy of our letter to the Bank of France dated September 9 which sets forth in detail the terms upon which we agreed to accept earmarked gold with them in order to assist in the retirement of France's share of the Anglo-French loan which matured October 15.

The conditions set forth in this letter have been accepted by the Bank of France. However, they did not avail themselves of this arrangement prior to the maturity of the Anglo-French loan. On October 13, M. de Sieyes, the representative of the Bank of France in New York, inquired of us whether this arrangement was limited to deposits made on or before October 15, 1920, or whether it was intended to continue in force until canceled. I am enclosing a copy of this letter together with a copy of our reply. You will note that I have explained to M. de Sieyes that the proposition was considered by our directors and the Federal Reserve Board only in the light of an emergency transaction undertaken to assist France in the retirement of her share of the Anglo-French bonds and not as a continuing facility in force until canceled. We do not feel that we should enter into a commitment to accept gold earmarked with the Bank of France for an indefinite period in the future and without knowing in advance the reasons for such earmarking. If an occasion should arise in the future, similar to the retirement of the Anglo-French bonds, we would, in all probability, agree to accept a deposit of earmarked gold with them if they so desired. It was felt that the best way to handle the matter without giving offense to the Bank of France was to grant an extension of three months, thereby intimating our unwillingness to make an indefinite commitment, and bridging the gap until the matter could be discussed personally with M. Robineau when you visit the Bank of France, at which time I presume you will wish to take up with him the question of establishing our relations upon a broader basis similar to the Bank of England agreement.

On October 30, the Bank of France earmarked for our account gold to the value of $3,300,000, for which we have given them credit here on our books. This deposit of earmarked gold has been prorated among all of the Federal Reserve Banks. Wepaid the $3,300,000 to J. P. Morgan to-day by order of the Bank of France.

The foregoing was all included in a letter which I wrote you under date of October 21 and which was mailed to you at London and, as I explained in the beginning, this present letter is written merely to avoid the possibility of your visiting the Bank of France without knowledge of this whole matter.

I had hoped to write you a good newsy letter by this mail, but the pressure has been particularly heavy the past few weeks and I have not succeeded in my purpose in this regard. Everything is moving along just as satisfactorily as could be expected with the liquidation that has been going on. Whenever a weak situation develops, our bankers are disposed to sit in and nurse it along.

Sincerely yours,

J H Case

J. H. CASE

Benjamin Strong, Esq.,
C/o Bank of France,
Paris, France.

Mr Jay is writing you by today mail sending it to Morgan at London.

JHC

169/176 words

December 4, 1920.

Benjamin Strong,
c/o Morgan, Grenfell & Co.,
London

We all send you our affectionate greetings upon your return to this side of the world. Conditions now as we see them here show a recurrence of drain upon New York by interior. Our reserve percentage last night was 37.8 after selling to Boston 20 millions of certificates maturing December 15. Have 6 millions of rediscounts still out. Decline from 40.8 per cent. last week result of heavy wire transfers out of district and increase of 65 millions in loans. Reserve position of system last week was 44.4 highest since July, but some decline expected today. Possible cause may be preparations for December 15 tax payments, which come at a bad time for manufacturers and others who have been caught on declining commodity market. Regard banking situation in this district perfectly sound, and one or two flurries outside city involving member banks have been nipped in the bud. Experience of Massachusetts and North Dakota nonmember state banks has furnished vivid example of system's complete adequacy at this time. You probably will hear rumors about largest trust company and largest foreign trade house in New York. These are malicious and unqualifiedly false. Definite statements were cabled abroad by a newsagency which had the name of German propagandists before our entrance into the war. Similar rumors circulated here for stock market purposes and have been entirely discredited. Harding and Houston are still bombarded by western and southern inflationists in and out of Congress, but are adamant. Price declines continue but chief difficulty seems to be slow movement or complete stoppage of goods in some lines. This last is necessarily temporary and will yield to consumer demand as soon as retailers cut prices correspondingly to reductions by wholesalers. We are taking over subtreasury Monday. Zeilinga arrives next Tuesday, leaving for Amsterdam Saturday, and we are planning to take good care of him.

CASE

FX-18

Cable Order
(Outgoing Message)

FEDERAL RESERVE BANK
OF NEW YORK

Trip 1920

Date December 10, 1920.

Copy of Cablegram sent to CODING DEPARTMENT.

FILING DEPT.
JAN 10 1921
ATTENDED TO
FEDERAL RESERVE BANK

From Mr. Case

Please code the following message addressed to the

JAN 8 - 1921

Benjamin Strong, Esq., Care of Harjes, Paris.

L. S.

Number of Cable
(If Payment Cable)

Glad to learn your safe arrival Have no suggestions regarding your proposed itinerary stop In view of first earmarked gold transaction recently consummated with Bank of France you will doubtless be interested to ascertain their actual procedure under such transactions Reserve Board has asked probable duration as it does not feel that gold held by foreign agencies should be counted as reserve indefinitely stop Zeilinga here Have enjoyed delightful visit with him and believe he has been entertained as you would wish He sails on Rotterdam eleventh Due Amsterdam twentysecond Hopes to see you there stop Have advised him Java Banks appointment as our agent and correspondent and have discussed with him informally more comprehensive reciprocal agreement along following lines which meets his approval One Each bank to act as agent and correspondent for the other Two Each bank may maintain an account with the other subject to check Three The respective accounts to be kept free of charges and commissions, except as to actual outofpocket expenses or custody charges Four Each bank to purchase bills for account of the other as and when so requested such purchases to be at current market rates Five Each bank will act as agent for the other in receiving and holding bills remitted for acceptance and collection Six No interest on balances in current account Seven The debtor

DUPLICATE

8^L Dem

8^{PM} P.M.
12/10/20

Time
(Dept. Head's Initial)

(Officer's Initial)

FX-18

Cable Order

(Outgoing Message)

FEDERAL RESERVE BANK
OF NEW YORK

Date

Copy of Cablegram sent to CODING DEPARTMENT.

From

Please code the following message addressed to the

ATTENDED TO
JAN 8 - 1921
L. S.

Number of Cable (If Payment Cable)

institution will set aside and earmark gold on a bullion basis representing balances due Eight Information will be exchanged respecting credit matters and financial conditions stop Pending receipt your views we have not discussed question guaranteeing payment bills bought for their account or discounting such bills without their indorsement stop Executive Committee voted today appoint Nederlandsche Bank our agent and correspondent and approval of Reserve Board was obtained November 1918 when we opened account with Nederlandsche for Treasury Shall we send formal notice to Nederlandsche in addition your explanation to Vissering. Assume you will want to conclude arrangements with Nederlandsche Bank similar to those proposed with Java stop We are investing five million dollars in bills for Java Bank

CASE

— Time

(Dept. Head's Initial)

(Officer's Initial)

Note: Obviously if "liquidation" or "stabilization" of the existing credit situation are to be regarded as the objectives of the Federal Reserve policy of credit control, a condition which can be regarded as "normal" will be attained very much more quickly than if the objective is a reduction in considerable amount of the total volume of credit.

5. Methods of credit control. Consideration of the efficacy of different methods of credit control.

(a) Horizontal increase of rates, especially of commercial rates; a canvass of the experience of banks which have put into effect a 7% commercial rate, to wit, New York, Boston, Chicago and Minneapolis.

(b) Progressive rate schedules starting with 6% as a basic rate; a canvass of the experience of Federal Reserve Banks of Kansas City, Dallas, St. Louis and Atlanta.

(c) Other methods of dealing with the situation, such as the implication that increased offerings by member banks will force higher rates or recourse to the progressive rate; a canvass of the experience of the Federal Reserve Banks of Cleveland, Philadelphia, Richmond and San Francisco.

(d) Restricting issues of Federal Reserve notes to Federal Reserve Banks as a potential means of enforcing credit control; canvass of English experience and views.

6. Inter-Reserve Bank rediscounts as related to the problem of credit control. Is the existing policy and practice with respect to such rediscounts satisfactory and sound?

(a) To effect an approximate equalization of reserves?

(b) At the same rate fixed for its member banks by the bank granting the accommodation?

Note: When recourse was first had to inter-bank rediscounts it was thought that the value of a Federal Reserve Bank's endorsement was entitled to recognition in the form of a reduced discount rate. More recently this idea has been abandoned and rediscount transactions between Federal Reserve Banks are made at the rates established for member banks by the Federal Reserve Bank extending the accommodation. The question now arises, however, whether a Federal Reserve Bank which has been able to maintain high reserves by reducing the demands for accommodations from its own member banks, which are its depositors, should be required to extend accommodations to member banks in other districts through the medium of their Federal Reserve Banks at the same rates as are established for their own members.

II. LOANS SECURED BY LIBERTY BONDS AND VICTORY NOTES.

1. Is there any moral obligation resting upon any of the Federal Reserve Banks to establish rates lower than commercial rates for paper of this classification?

2. Would liquidation of loans of this class be retarded or promoted by the establishment of lower rates?

3. If lower rates are deemed desirable, would it be equitable and practicable to have such rates apply to original subscribers only?

4. Should member banks' collateral notes be fully secured, taking market value instead of face value as a basis?

5. If so, how and when could the new policy be put into effect with a minimum of friction?

III. FEDERAL RESERVE NOTE ISSUES.

1. Is the note-issue policy of the Federal Reserve system subject to legitimate criticism?

2. What connection is there between changes in the volume of credit and the volume of currency?

3. Is there any difference in relation to effect upon prices between the volume of credit and the volume of currency?

4. Can the note-issue policy of the Federal reserve system be properly charged with any important responsibility for inflated prices, if so, what has been the responsibility and in what way does the issue of Federal Reserve notes promote or assist inflation?

5. Can the accepted principles of bank-note currency regulation, applicable in normal circumstances when the commerce of the world is conducted on a gold standard, be safely taken as a guide in the abnormal circumstances now existing, when the gold standard is virtually suspended, except in the United States and Japan?

6. In connection with the policy of credit control should the present note-issue policy of the Federal Reserve system be changed and restrictions be thrown around the issue of Federal Reserve notes?

7. If the issue of Federal Reserve notes should be restricted, what form should the restriction take and what effect would different methods of restriction have?

(a) Imposition of charges against Federal Reserve notes upon the uncovered part of circulation issued to them at a given rate, for example, a fixed rate of 5% or a rate varying with the commercial rate.

(b) Would it be practicable to establish for each member bank a so-called normal currency limit and to impose charges upon member banks calling for notes in excess of their limit?

(c) Would it be advisable while continuing to have the Federal Reserve Banks pay all transportation charges on incoming currency, to have shipments of outgoing currency made at the expense of the consignees?

(d) Restriction by definition of the character of the paper acceptable as collateral by the Federal Reserve Agent against the issue of Federal Reserve notes. Should member banks' collateral notes or customers' notes secured by Government obligations be taken as collateral for Federal Reserve notes?

(e) Limitation of the total volume of Federal Reserve notes by the Federal Reserve Board, the maximum amount being fixed pro rata for each Federal Reserve Bank. (The Federal Reserve Board has statutory power to accept in part or to reject entirely all applications for Federal Reserve notes.)

Would restriction of note issues in any of the above mentioned ways operate to promote a better control of credit, and if so, what would be the effect upon the commerce and business of the country?

It is suggested that the Chairman of the Board of Directors of each Federal Reserve Bank bring this tentative program to the attention of the Executive Committee and that a committee of the Governors confer by correspondence with a committee of Federal Reserve Agents, and assign to each Governor and Federal Reserve Agent a part of the foregoing program for discussion. It is desirable that the program be covered fully and that each particpant in the conference prepare carefully a paper treating upon the particular subject assigned to him.

CDE 1-1-15M-4-20

FEDERAL RESERVE BANK
OF NEW YORK

COPY OF TELEGRAM
SENT IN CIPHER

CASH DEPARTMENT
CODES & TESTS SEC.

DEC 23 1920
FEDERAL RESERVE BANK

DICTATED BY

TIME

COPY FOR WIRE TRANSFER DIVISION

December 15, 1920.

Strong,

c/o Harjes, Paris.

Testword OK

#8 referring to your 11 executive committee cordially agrees delay your sailing date and approves reciprocal guarantee of bills with both Java and Nederlandsche banks Reserve Board also approves. Mrs. McLaren and Hendricks married last Sunday sailing from Frisco for Honolulu December 22.

Case.

CDE I.I-15M-4-20

FEDERAL RESERVE BANK
OF NEW YORK

COPY OF TELEGRAM
SENT IN CIPHER

CASH DEPARTMENT
CODES & TESTS SEC.

DICTATED BY TIME

14 Words Via W U

COPY FOR WIRE TRANSFER DIVISION

Benjamin Strong, December 23, 1920

Bank of England, London.

#10 (Testword) Reserve Board sends you greetings and best wishes for Merry Christmas and prosperous New Year.

Case.

MISC. 34.1-25M-4-20

FEDERAL RESERVE BANK
OF NEW YORK

SENT BY

PJ/RAH
Western Union
6:30 p.m.

SEND TO FILES

COPY OF TELEGRAM

December 23, 1920.

Benjamin Strong
Care Bank of England
London, England

~~Telegram received~~. Best Christmas greetings to you from all. Will answer message number fifteen tomorrow.

Case Jay

Chge. Fed. Res. Bk. of New York.

32 Old Broad St.
London,
England
Co Morgan, Grenfell & Co

A WESTERN UNION

ANGLO-AMERICAN DIRECT UNITED STATES

CABLEGRAM Via Western Union.

Form 6A.

No. 1194

WWC

RECEIVED AT 22, GREAT WINCHESTER STREET, LONDON, E.C.2.

1920 DEC 24 PM 6 58

A FI 2093/24 NEWYORK 22

BENJAMIN STRONG CARE BANK OF ENGLAND

LONDON

BEST XMAS GREETINGS TO YOU FROM ALL WILL ANSWER MESSAGE NUMBER FIFTEEN TOMORROW

CASE JAY

DATED 23

~~4121~~ 4122

No inquiry respecting this Message can be attended to without the production of this paper.

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 29, 1921. X 43

TO Governor Strong

SUBJECT:

FROM J. H. Case

I strongly recommend that steps be taken to bring about emergency legislation;

"To enable a national bank to obtain relief in emergency by use of other than eligible paper for United States bonds:

Under existing laws no member bank can obtain funds, lawfully, from its Federal reserve bank however urgent the need except upon security of United States obligations or upon paper of a certain character and description shown to be eligible under the regulations of the Federal Reserve Board. There are many member banks, including some of the largest and most ably and conservatively managed, which include in their assets large amounts of securities of a high character including state municipal bonds, prior lien railroad mortgages and industrial mortgage bonds of unquestioned merit and value. If banks in this condition should have the misfortune to be subjected to a run upon their deposits, they would be unable to obtain loans or advances from their Federal reserve banks except to the extent of eligible paper and United States bonds which they may have on hand.

In times such as we have been through in the past few years, they would also find it impossible or impracticable to convert even their high class securities into money except at a grave sacrifice, if at all, and attempts to realize upon large blocks of securities might precipitate further trouble on such markets as we have sometimes had in the past."

An amendment to the Federal Reserve Act which would make it possible, under proper safeguard for a member bank which is found to be in sound and solvent condition to obtain in an emergency from its Federal reserve bank upon its obligations, other than eligible paper or United States Government securities, when such loans are recommended by the reserve bank of its district and approved by not less than three-fourths of the members of the Federal Reserve Board, would prove distinctly salutary and would largely dispel the nervousness which sometimes arises in financial circles because of the possible dangers of the situation as the

FEDERAL RESERVE BANK
OF NEW YORK

[OFFI]CE CORRESPONDENCE

DATE July 29, 1921.

[TO] Governor Strong

SUBJECT:

[F]ROM J. H. Case

law now stands.

This memorandum is largely based upon a recommendation made by the former Comptroller of the Currency and found on pages 52 and 53 of volume 1 of his report for the year 1920.

See Circular Book

For your further information Treasury Department Circular No. 92 (copy of which is attached) dated October 6, 1917, under conditions therein set forth permits us to receive as eligible collateral to secure deposits of Government funds, approved bonds listed on some recognized stock exchange and other securities not eligible as collateral in obtaining loans from Federal reserve banks.

P. S. Mr. Barrows has just handed me a copy of a bill covering this subject, which he found among the Liberty Loan records of Mr. Curtis and which he thinks was pending during the latter part of 1917. A bill enacted in substantially this form would, it seems to me, about cover the situation.

Mr Case

Personal

FEDERAL RESERVE BANK
OF NEW YORK

September 6, 1921.
2:45 o'clock p. m.

Dear Governor Strong:

Everything opened up very quietly here at the bank to-day. Our loans increased approximately $1,000,000, with a loss of $20,000,000 through the Gold Settlement Fund, which left our reserve position at 72.5.

Mr. Gilbert, of the Treasury, was called back to New York from Washington last night, owing to a sudden turn for the worse in his father's condition. He came into our office this morning and had been here but a few minutes when he was summoned back to the hospital. Before leaving, he told me he did not believe it possible for his father to live through the day, and he has, consequently, arranged to spend a few days in this city, making our office his headquarters. (The Treasury has practically agreed to the terms we discussed with regard to its new security offering.)

Mr. Cromwell, of the New York Stock Exchange, called at the bank this morning, and I had a very satisfactory talk with him. He is in full accord with the idea of substituting Mr. Frew for Mr. McGarrah, in the matter of looking after call money affairs. Mr. Cromwell discussed briefly the question of making a change, from a daily to a weekly basis, in the matter of the submission by members of the stock exchange of reports to this bank, the thought being that if, later, this change should prove undesirable, the present method of daily reporting could be resumed. As it is Mr. Cromwell's opinion that there is no haste about making the change, we are leaving the matter open, with the understanding that he will see Mr. Frew and urge upon him the desirability of stepping into the breach and taking Mr. McGarrah's place, when Mr. McGarrah retires.

Copy

4149.5

For your information I am enclosing the following:

Translation of cablegram received to-day from the Bank of England;

Current letter from Whaley-Eaton Service;

Memorandum, in comparative form, showing borrowings ($10,000,000 or more) of New York City banks, as of the close of business January 5, 1921, and September 3, 1921, respectively.

I had a talk, this morning, with Mr. W. C. Potter and Stuart H. Patterson, and they have very cordially agreed to our suggestion with regard to bringing down the papers we are reviewing to a more recent date, so that the information may be assembled in more orderly form.

Mr. Norman and Sir Charles Addis contemplate having a motor trip to Quebec, and I suggest that careful inquiry be made at Bar Harbor as to the best route.

I sincerely hope you are enjoying your holiday to the utmost.

Cordially yours,

JHCase

Benj. Strong, Esq.,
C/o Mrs. Markoe,
Bar Harbor, Maine.

Encs. (3)