

Mar.-Apr.
n to Siam,
Shanghai
Far East,
stinguished
govt., and
Chapman
C. of C.,
Phi Beta
Delta.
Tucson

composer; b.
y and piano,
ren—John
nstras and
ca, Mexico,
00 concerts,
with N.Y.
Toscanini,
eratory of
d first prize,
e, harmony,
of Leopold
nce); comdr.
gold medal
al, Hamburg,
s concertos,
for piano; 7
1972.

ng engr.; b.
ine 1, 1875; s.
B.S. in Mech.
D.Eng., 1945;
rary), Tampa
ery, August 14,
Ophir, Utah,
s since 1907, as
er Mining Co.,
S. A. Gold &
hern Ry. Co.,
Can., Alaska,
pa Univ. Dir.
ievement, Col.
ing and Metall.
Beta Pi, Sigma
32 deg.). Club:
Rugby Rd.,

logist; b. Kansas
pencer and Julia
93; M.S., Cornell
n. Mary Margaret
me 24, 1899;
odore Johnston.

R.I. Coll. Pharmacy and Allied Scis., 1953; LL.D.,
W.Va. Wesleyan College, 1954, Northeastern
University, 1954, Tufts University, 1955, Temple
University, Brandeis University, Pratt Inst., 1961,
Pasadena Coll., 1964; Ed.D., Franklin Pierce Coll.,
1966; m. Phyllis Elizabeth Kirk, June 27, 1927;
children—Harold Robert, Phyllis Rosanna (Mrs. Victor
Kazanjan), David (dec.). Ordained to ministry Meth.
Ch.; instr. Southwestern Coll., 1927-28; pastor N. Shore
Ch., Glencoe, Ill., 1928-33, First Meth. Ch., Topeka,
1933-38, Elm Park Ch., Scranton, Pa., 1938-45, First
Meth. Ch., Pasadena, Cal., 1945-51; pres. Boston U.,
1951-67, pres. emeritus, 1967-72. Dir. Sterling Drug
Inc.; dirs. adv. bd. State Street Bank & Trust Co. Mem.
Univ. Senate, Meth. Ch. Co-founder Religion in Higher
Edn. Found., 1946. Trustee N.E. Deaconess Hosp.;
chmn. bd. Council on Religion and Internat. Affairs, bd.
dirs. Glochet Mountain Rehab. Center, 1967-72. Hon.
dir. Alexander Graham Bell Assn. for Deaf, Inc. Mem.
Am. Acad. Arts and Scis., Phi Beta Kappa, Delta Tau
Delta, Pi Kappa Delta, Beta Gamma Sigma, Pi Gamma
Mu. Mason. Clubs: Algonquin, University (Boston).
Author: A Year of Special Parties, 1927; The Prophet
Jeremiah, 1953. Home: Annisquam MA Died Feb. 20,
1972; buried Mt. Adnah, Annisquam MA

CASE, J(AMES) HERBERT, banker; b. Elizabeth,
N.J., Aug. 20, 1872; s. Samuel Pyatt and Susan (Thorn)
C.; educated Lansley (Elizabeth) School; LL.D., Elmira
College, 1931, Colgate Univ., 1942; married Alice
Needham, Sept. 28, 1898; children—Everett Needham,
James H. (dec.), Elizabeth Parker (Mrs. Hamilton
Robinson) (dec.). Successively sec. and vice pres.
Plainfield Trust Co., 1902-17; v.p. Farmers Loan &
Trust Co., N.Y. City, 1912-17; dep. gov. Federal
Reserve Bank, N.Y. City, 1917-1930, chmn. bd.,
1930-36; partner R. W. Pressprich & Co., N.Y. City,
1936-40; cons. to pres. City Bank Farmers Trust Co.,
1941-54; dir. City Bank Farmers Trust Co., Lehman
Corp. of N.Y., Witherbee Sherman Corp., until 1957.
American mem. of Netherlands Purchasing Commn.,
1940-42. Trustee, chmn. finance com., Ministers and
Missionaries Benefit Bd. of Northern Baptist Conv.,
1922-47, financial cons., from 1947. Director of
National War Fund, 1942-46. Pres. Assn. Community
Chests Am., 1930-33, treas., 1936-46; trustee and chmn.
com. on finance and investment, Elmira Coll., 1929-31;
mem. Sch. Bd., Pub. Library and Sinking Fund Commn.
of City of Plainfield. Decorated Medal of Merit,
Comdr. Cross with Stars, Order of Polonia Restituta,
1924. Republican. Baptist. Clubs: Union League (bd.
govs.), Downtown Assn. (N.Y. City). Author:
Desirability of Commercial Paper as Banking
Investment; Report to U.S. Treasury on British
Short-term Financing. Home: Plainfield NJ Died Aug.
4, 1972.

CASE, LORENZO DOW, clergyman; b. at
Watertown, N.Y., Jan. 25, 1872; s. Edward E. and
Lorain (Weese) C.; St. Lawrence U., Canton, N.Y.,
Theol. Sch., 1906; (D.D., Lombard

1929-30; M.D., Boston U., 1934; m. Rose Giannmarco,
Dec. 11, 1938; children—Marie, James. Rotating intern.
St. Elizabeth's Hosp., Boston, 1934-35; gen. practice
medicine, Bklyn., 1935-42; med. officer VA Facility
Waco, Tex., 1942-44, VA Hosp., Columbia, S.C., 1944,
med. officer, chief outpatient services VA Hosp., Bronx,
N.Y., 1946-47; asst. chief med. officer, chief med.
officer VA Outpatient Clinic, VA Regional Office,
Bklyn., 1947-56; mgr. VA Outpatient Clinic, Bklyn.,
1956-60; dir. VA Hosp., Bklyn. 1960-73; chief med.
con. bur. disability determinations N.Y. State Dept.
Social Services; adj. prof. biology, cons. in med. tech.
C.W. Post Coll., Greenvale, N.Y. Mem. subcomm. gen.
community relations Fed. Exec. Bd., 1965; pres. Bette
Bklyn. Com., Bklyn. Hall of Fame. Served to maj., M.C.
AUS, 1944-46. Recipient award for dedicated med.
service to vets. Italian Hist. Soc. Am., 1961. Fellow Am.
Coll. Chest Physicians. Am. Coll. Hosp. Administra.
mem. A.M.A., N.Y. State, Kings County (hosp. and
prof. relations com.) med. socs., Am., N.Y. State
Bklyn. socs. internal medicine, Am. Legion. Address:
Brooklyn NY Died Mar. 18, 1973.

CASEY, DANIEL VINCENT, journalist; b.
Crawfordsville, Ind., March 14, 1874; grad. Univ. Notre
Dame, 1895; instr. English composition, Univ. Notre
Dame, 1895-6; subsequently entered journalism and
held various positions as reporter and corr.; sp' corr.
in the field during Spanish-Am. war for Chicago Record
Residence: Crawfordsville IN †

CASHIN, JOHN MARTIN, judge; b. Kingston, N.Y.,
Aug. 31, 1892; s. Martin J. and Catherine (Kelliher) C.
LL.B., Cornell U., 1915; m. Carolyn Markle, Dec. 9,
1928. Admitted to N.Y. bar, 1916; city treas., Kingston,
1922; asst. U.S. atty., 1922-25; counsel Fed. Prohibition
Adminstrn., N.Y.C., 1925-26; corp. counsel, City of
Kingston, 1935-41; county judge Ulster County, N.Y.,
1943-55; U.S. judge Southern Dist. of N.Y., 1955-65.
Mem. N.Y. State, Ulster Co. bar assns., Phi Delta Phi.
Home: Kingston NY Died Oct. 21, 1970.

CASHMAN, EDWIN JAMES, corp. exec.; b.
Owatonna, Minn., Oct. 26, 1904; s. Thomas Edward
and Margaret (Laughlin) C.; student Georgetown U.
1922-24, U. Minn., 1925-27; m. Mary McNally, Sept.
27, 1930 (dec. 1961); children—Marilyn (Mrs. Gabrie
Nahas), Edwin, Tyrone, Kathleen, Victoria; m. Zs
Lorraine Dale, Apr. 30, 1963. Sales exec. George A.
Hormel & Co., Austin, Minn., 1928-35; pres. Doughbo
Industries, Inc., New Richmond, Wis., 1936-66, chmn.
1966-67; chmn. Combustion Products Corp., 1965-70
Energy Transmission Corp., 1965-70; vice president
director Cashman Nurseries, Owatonna, Minn.,
1940-70, Midwest Radio & TV, Inc., Mpls., 1952-70
dir. Mid Continent Broadcasting, Minn. Tribune Co.
former treas., dir. Minn. Wis. Dairy Queen, Inc. Me
exec. com. St. Paul region Boy Scouts Am. Mem. Ch.
Psi. Home: Deering NM Died Mar. 16, 1970.

CASSADY, JOHN HOWARD, naval officer; b.

February 17, 1922.

To the Officers of the Bank.

It has just come to my attention that 33 of the 36 officers of the Federal Reserve Bank are Sustaining Members of the American Institute of Banking, and the President of the Institute advises us that we stand at the top of the list in respect to membership.

I hope it is an indication of interest by those who joined the Institute in developing wider knowledge of the problems with which the officers of this bank have to deal, and especially at a time when they are becoming exceedingly complicated and correspondingly important.

Benj. Strong
Governor

RECEIVED
FEB 21 1922
FEDERAL RESERVE BANK OF ST. LOUIS

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Sept. 30, 1922 192

Mr. Case

SUBJECT: _____

FROM

Governor Strong

The attached note from Mr. Lewisohn explains itself. I am very much interested in the work of the National Budget Committee, and believe it has accomplished a great deal towards giving us a budget system. The dinner to which Mr. Lewisohn refers will be interesting. In fact, it is always a treat to hear General Dawes speak. If you would care to act as my substitute, I would like to subscribe for a table for this dinner for such of our officers and directors as would care to go. But of course I must be in Washington at the conference and cannot attend myself. Mr. Jay and Mr. Harrison will also be in Washington. If you get together a list of names, in case the idea appeals to you, Mr. Beyer will do the needful in arranging for the table.

BS.MM

att.

free for names

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

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

WESTERN UNION



TELEGRAM

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

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

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

RECEIVED AT COTTON EXCHANGE BUILDING, NEW YORK

105AN CBH 20

* PINE STREET, N. Y.

BRINSON GA 1035A JAN 31 1923

372

J H CASE

FEDERAL RESERVE BANK NEWYORK NY

SHALL DELAY RETURN FEW DAYS IF NO OBJECTION PLEASE REPLY

FRIDAY CARE STATION AGENT WINTERPARK FLORIDA HOLD MAIL NOTIFY FAMILY

BENJ STRONG

1220P

CLASS OF SERVICE	SYMBOL
Telegram	
Day Letter	Bl
Night Message	Ni
Night Letter	NL

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

Call a
WESTERN UNION
MESSENGER
 whenever
 you need a
 temporary
 employee.

WESTERN UNION

TELEGRAM
 IDENT BY GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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

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

RECEIVED AT

JNC356 44 NL

UN JACKSONVILLE FLO 4

[Handwritten signature]

23 FEB 4 PM 10 42

J H CASE

FEDERAL RESERVE BANK NEWYORK NY

AM MUCH BETTER BUT STILL RATHER HOARSE WEATHER REPORTS SUGGEST
 MY REMAINING SOUTH UNTIL ABOUT TENTH SHALL WIRE FULLY FROM
 SAVANNAH AFTER RECEIVING JAYS LETTER AND CAN STOP OVER AT
 WASHINGTON IF DESIRABLE BEST TO YOU ALL AND I SHARE YOUR
 PLEASURE ABOUT SALARIES

RANJ STRONG.

WIRE
 MESS
 WIRE


OFFICE CORRESPONDENCE

DATE Feb. 21 1923

TO Mr. Case

SUBJECT

FROM Miss Davidson

Miss Bleecker telephoned the following memoranda from Governor Strong:

Governor Strong thinks you should give the newspaper men this information this afternoon:

" The increase in the discount rate of the Federal Reserve bank brings the rate at which we loan our funds into better relation to the market rates, which have recently advanced and are reflected in increased borrowings by our members."

Equalizes our rates with the J.M. Bank.

Much depends upon how this is done, and it is my suggestion that you have all of them (the newspaper men) there, delay a bit until they all come in, then say that we have no formal statement to make which they are authorized to quote, but for their personal information you are glad to give them the facts given above. I think it is very important that we do not give an authorized statement to the press when we give none to our members.

How would you like to drop in here sometime soon and discuss the letter of Reynolds of the First National, telling him where they get off. We could chat, me with my pencil, about other things. Also, it might be good business to ask Sailer, Morgan, Kenzel and Snyder if they approve what I propose for the press.

[From B. Henry Jr.]

FEDERAL RESERVE BANK
OF NEW YORK

CONFIDENTIAL:

February 27, 1923.

Dear Mr. Case:

As Dr. Coakley's examination yesterday was conclusive as to my throat, I must at once report what he says, and ask you to convey it to the Directors of the bank. You and they will respect my desire to have this held in confidence, as the members of my family, some of whom are away, have not been advised.

It seems that the inflammation of the vocal cords caused by the severe cold I contracted in January, afforded means for tubercular infiltration to occur, which has caused a lesion on one cord. This has not ulcerated and so far as can now be forecast, is capable of being absorbed if promptly dealt with. On the other hand, it cannot be overlooked that these tubercular throat lesions frequently are most serious, and not infrequently fatal.

I have been examined by Dr. James A. Miller of 379 Park Avenue, and by Dr. Cornelius C. Coakley of 53 West 56th Street, both leading men in tubercular and throat matters, and their reports to me I would summarize as follows:

Dr. Miller says that these lesions, when not ulcerated, are successfully treated, especially by Dr. Webb, Colorado Springs, and a good, prompt, vigorous handling in nine out of ten cases is successful, if the patient has a favorable background. In my own case, he feels assured that rest and proper care will be successful. My lungs are probably better and certainly no worse than three or four years ago. He thought a few months (I gathered three or four) in Colorado would be enough. In general he was encouraging.

Dr. Coakley says if I will spend six months, which he thought was safest, at Dr. Webb's, I would have many years of work ahead of me.

It must, however, be borne in mind, as to both these views that these cases are serious, and that the Doctor does not always tell the whole story to the

victim. My suggestion is that some one or more of our directors see Dr. Miller or Dr. Coakley, or both, if they can spare the time, and get a first hand opinion.

The Directors of the bank have been so forbearing with these health troubles of mine in the past, that I now hesitate to make this report without sending my resignation with it. On the other hand, it would possibly be better to await the result of some conference with the doctors before discussing any plans from the bank's standpoint, and you may, therefore, consider that this is preliminary to hearing further from me after a conference I am to have with Dr. Miller at 10:00 o'clock tomorrow.

Faithfully yours,

Res: Strong

J. H. Case, Esq.,
Deputy Governor, Federal Reserve Bank of New York,
15 Nassau Street, New York City.

BS.MSB

[From B. Strong Jr.]

FEDERAL RESERVE BANK
OF NEW YORK

March 8, 1923.

Dear Mr. Case:

The action which you advise me was taken by our Board of Directors on Wednesday, February 28, respecting my illness and possible absence, is of course most gratifying indeed to me, and I deeply appreciate it. The leave of absence, I am assured by both Doctors can be relied upon to completely clear up the trouble. Only on that basis would I feel justified in accepting an absence of that length.

But I am sure that all of the members of the Board will understand my inability to accept my full salary during this period, as I have already explained to you. Won't you be good enough to explain to the Board that I am still very clearly of the opinion that I could not accept their generous action, nor, indeed, anything beyond what was voted during my absence some years ago, which was half pay. Indeed I don't care a rap about the salary anyway, and am only anxious, as you know, to get well and back to work. All of this I explained personally to Dr. Miller yesterday.

Please say to the members of our Board that I am leaving with nothing but grateful and hopeful feelings, as a result of the evidence they give me of their confidence and esteem.

Sincerely,

B. Strong Jr.

Mr. J. H. Case,
Deputy Governor, Federal Reserve Bank of New York,
15 Nassau Street, New York City.

BS.MSB

March 8 1923.

There are a number of things I'd like to "talk" about, but my hand is about used up with unaccustomed work!

1. Please make clear to our directors how grateful I am for their friendship. It makes the job worth wanting and keeping.
2. Of course the salary matter is of no consequence; they were very kind, but it is better to lean back in those matters any way. I'd be happy with none.
3. The matter of first importance is the System policy, and of course our own. Don't let any one persuade you that we can or should regulate prices. We can and must regulate credit! - and by doing so avoid or reduce the harmful influence of inflation and contraction, upon prices. There are too many influences which operate upon the price level for us to assume the whole job of price regulation - but the course of prices should influence our policy.

It looks to me as though the crux of the matter lies in what the other Reserve banks decide to do in the open market. The discount rate will be, I would guess, of less importance in other districts - and of major importance with us.

London is sure to send us a lot more gold, unless their plans change since Norman was here. While we cannot sail the Reserve banks under bare poles, so as to off-set gold imports, we can run closer to having no earnings for tax payment than we did last year, and I would not mind if we (or some of us) didn't entirely earn our dividends.

4. I'll write you from Colorado about your memo. on gold, it's too long a story for now. But Shepard Morgan (or Snyder) has a document from me on that already.
5. Say good bye to the boys and tell Jay I was sorry to miss him. Also

get him to stir up the Agents Committee on Public Relations to get out some literature. Now is when it is needed- while Congress is adjourned and our rates going up.

As I have repeated till hoarse, and as you seem to have done, - no one is going to be given the job of fixing prices - no group or individual or group of groups! They have given us power to influence the cost and the volume of credit. We should exercise that power so as to avoid being a disturbing influence upon prices. We should, therefore, keep the volume of credit as nearly steady as possible.

Prices cannot go up (much) without more credit. That can be supplied by:

- a. Gold imports
- b. Federal Reserve bank loans.

As to the gold, we can do as heretofore.

As to loans - put up our rates!

Setting aside gold will not alter the facts, it merely means one more obscure thing to explain to the dear public. Let's explain the whole story. That is what the Federal Reserve Board should be doing.

Memo. from B. S. to J. H. C.

Telegram	
Day Letter	Blue
Message	Nite
Nite Letter	N L

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

WESTERN UNION



TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Day Letter	Blue
Night Message	Nite
Night Letter	N L

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

RECEIVED AT

JHB

MAR 15 1923
FEDERAL RESERVE BANK
OF NEW YORK

1923 MAR 13 AM 4 53

KSB129 19 NITE

FY COLORADOSPRINGS COLO 12

J H CASE

FEDERAL RESERVE BANK NEWYORK NY

COMFORTABLE TRIP OUT AND VERY SATISFACTORY ARRANGEMENTS HERE MY

BEST TO ALL AT THE BANK DONT EXPECT LETTERS YET

STRONG.

CLASS OF SERVICE DESIRED	
Telegram	<input checked="" type="checkbox"/>
Letter	<input checked="" type="checkbox"/>
Night Message	<input type="checkbox"/>
Night Letter	<input type="checkbox"/>

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

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.

Check

Time Filed

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

Collect.

Base

Federal Reserve Bank
New York City

Have no doubt audit is perfectly good step
Suggest you have following in mind.

First. Explain Schnyder Reserve Act
limitations

Second. Be sure no old Board regulations
still in force to embarrass us.

Third. Might make cautious inquiry

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

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.

Check

Time Filed

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

②

of Alexander to learn if generally well regarded in town

Fourth. Better advise Washington in such way as to avoid any possible complaint but also avoid delay.

Fifth Offer other partners participation with out slightest suggestion need take it.

Sixth Be sure avoid publicity when

C O P Y

[Apr 19, 1923]

Collect
Case, Federal Reserve Bank, New York City

Have no doubt credit is perfectly good stop. Suggest you have following in mind.

- First. Explain Schnyder Reserve Act limitations
- Second. Be sure no old Board regulations still in force to embarrass us.
- Third. Might make cautious inquiry of Alexander to learn if generally well regarded in town.
- Fourth. Better advise Washington in such way as to avoid any possible complaint but also avoid delay.
- Fifth. Offer other partners participation without slightest suggestion need take it.
- Sixth. Be sure avoid publicity when appears in statement if loan is made.
- Seventh. I see no ground for objecting especially upon security suggested.
- Eighth But think sale Treasury bills in market is preferable.
- Ninth We should charge bank rate on ground same charge to our members.

(signed) Strong

April 21, 1923

Dear Mr. Case:

I've read the Investment Committee's minutes and the Conference minutes. Only two things occur to me.

1st. The Federal Reserve Board had no right to discharge the committee and wouldn't have done so had I had a crack at them. The committee was appointed by the Governors' Conference a year ago at request of the Treasury and I'd see them damned before I'd be dismissed by that timid bunch. But forget it!!

2nd. We really need to do more, or the other Reserve banks do, - to offset gold imports, and "Earning Assets" should go down correspondingly through investment sales and smaller bill holdings. We have done nearly all the selling in New York so far! The others sell and then buy back!

Will write again when I go into the figures more closely.

Yours,

B. S.

My best to you !

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE _____ 192_

TO J. H. Case.

SUBJECT: _____

FROM _____

Dear Mr. Case -

We seem to be earning about \$ 2,500,000 per annum over expenses of dividends - out of which "charge offs" etc must come. I suggest figuring how other Res. Bks are earning, and for those now short, let them have more of our bills & get them to reduce, as they can, their holdings of Gov'ts. And don't let money get too easy on the "board." It's bad for the situation to have the impression of easy money set about.

This situation will require some

delicate handling & I'd put on
my visa, if I were you, a legend
like this:

Earnings Receipts (System)	oooooooo
Less Gold Imports	<u>oooo</u>
Net amount allowed	oooooooo

Which equals our responsibility for
prices!

What else we "pay out" does
not alter this equation one
cota!

Only so can we & the Treas?
Escape being inflationists.

As best as always

DS.

(Carryover balance?)

Dear Mr. Case:

We seem to be earning about \$3,500,000 per annum over expenses and dividends, out of which "chargeoffs" etc. must come. I suggest figuring how other Reserve banks are earning and for those now short, let them have more of our bills and get them to reduce, as they can, their holdings of Governments. And don't let money get too easy on the "board". It's bad for the situation to have the impression of easy money get about.

This situation will require some delicate handling and I'd put on my desk, if I were you, a legend like this:

Earning Assets (System)	0000000000
Less Gold Imports	<u>0000000000</u>
Net Amount Allowed	0000000000

which equals our responsibility for prices !

What gold we "pay out" does not alter this equation one iota !

Only so can we and the Treasury escape being inflationists.

My best as always,

B. S.

Coburn May 9, 1943

*(overprinted
where?)*

Dear Mr. Case:

We seem to be earning about \$3,500,000 per annum over expenses and dividends, out of which "chargeoffs" etc. must come. I suggest figuring how other Reserve banks are earning and for those now short, let them have more of our bills and get them to reduce, as they can, their holdings of Governments. And don't let money get too easy on the "board". It's bad for the situation to have the impression of easy money get about.

This situation will require some delicate handling and I'd put on my desk, if I were you, a legend like this:

Earning Assets (System)	0000000000
Less Gold Imports	<u>0000000000</u>
Net Amount Allowed	0000000000

which equals our responsibility for prices !

What gold we "pay out" does not alter this equation one iota !

Only so can we and the Treasury escape being inflationists.

My best as always,

B. S.

Colored May 9, 1943

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Apr. 24th 1923

TO J. H. Case.

SUBJECT: _____

FROM _____

Dear Mr. Case -

Schuyders cables put quite a different aspect on the proposal - it comes very close to a loan on the German side. The loan will doubtless, in fact I feel without the slightest doubt, be good and cause no trouble, but it has two possible objections -

One is that we might be advertised unpleasantly by either Germans or France.

The other is possible political objection.

But in these matters don't always let us be guided by our fears. The fact is, that this particular loan, (noted) of simply being a credit to our Corres. seems to be part of the Norman Exchange program, a very silly & futile one. Keep me advised.

Yours.

P.S.

Apr 24, 1923

Dear Mr. Case:

Schnyder's cables put quite a different aspect on the proposal - it comes very close to a loan on the German gold. The loan will doubtless, in fact I feel without the slightest doubt, be good and cause no trouble, but it has two possible objections.

One is that we might be advertised unpleasantly by either Germany or France.

The other is possible political objection.

But in these matters don't always let us be guided by our fears. The fact is that this particular loan, instead of simply being a credit to our correspondent seems to be part of the German exchange program, a very silly and futile one. Keep me advised.

Yours,

B. S.

CLASS OF SERVICE DESIRED	
Telegram	
Day Letter	
Night Message	
Night Letter	X

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

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filled

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

collect

Case

Federal Reserve Bank, New York City

Your telegram I just read my letters and memoranda relating to both former proposals by our member bank
 Second Get Jay's recollection of circumstances
 Third Personally object to plan of appointing correspondent for reasons then stated
 Fourth Assuming by

GET TO THE FOLLOWING TERMS:
 back to the originating office for comparison. For
 message received for transmission at the urgent
 message, any message received for transmission
 any interruption in the working
 of any message, where
 a greater value is
 and an additional
 each its des-
 or

Form 1206A

WESTERN UNION TELEGRAM



SERVICE DESIRED	
Telegram	<input type="checkbox"/>
Day Letter	<input type="checkbox"/>
Night Message	<input type="checkbox"/>
Night Letter	<input checked="" type="checkbox"/>

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

Receiver's No.
Check
Time Filed

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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

(2)

Your message present plan is own agency following objections appear
 First. Probably ultra vires ask Mason's opinion
 Second. Subjects assets and management to control foreign legislature and Courts
 Third. Hostility always shown there to American Bankers likely to be greater

SUBJECT TO THE FOLLOWING TERMS:
 Messages received by the office for transmission for as such, in consideration of the rate of service desired for the message received in the morning or afternoon or night. Messages received in the morning or afternoon or night. Messages received in the morning or afternoon or night. Messages received in the morning or afternoon or night.

SERVICE DESIRED
 am _____
 Letter _____
 Night _____
 Day Letter _____
 Night Message _____
 FUL Night Letter _____
 Patrons should mark an X opposite the class of service desired; OTHERWISE THE MESSAGE WILL BE TRANSMITTED AS A FULL-RATE TELEGRAM

WESTERN UNION TELEGRAM



Form 1206A

Receiver's No.
Check
Time Filled

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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

(3)

Even with us owing to Government relationship fourth. Expense and responsibility will be considerable with benefit to no one for whom we are responsible fifth. Unwillingness to conform to methods now common there will make for trouble sixth. A foreign agency absolutely unheard of by banks of issue which before ~~war~~ ^{war} were even unwilling to maintain deposit

FACT TO THE FOLLOWING TERMS:
 back to the originating office for comparison. For
 message received for transmission at the unprop
 of any message received for transmission
 of any message, which is des
 and an additional
 reach is des

Form 1206A

WESTERN UNION TELEGRAM

SERVICE DESIRED	
Telegram	<input type="checkbox"/>
Day Letter	<input type="checkbox"/>
Night Message	<input type="checkbox"/>
Night Letter	<input checked="" type="checkbox"/>

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

Receiver's No.
Check
Time Filed

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

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

(4)

accounts in foreign banks much less open agencies for obvious reasons stated Seventh They should have their own bank of issue but if our Government wants currency clean up would see less objection to having one such operation Expenses to be refunded and then quit. Eighth It seems rather unusual for Boston to open an office to conduct

ARE SUBJECT TO THE FOLLOWING TERMS:
Telegraphed back to the originating office for comparison.
of any message received for transmission at the un-
delivered to any message received for transmitt-
of any message received for transmission in the work-
of any message, which is a greater value is
of any message, unless a greater value is
of any message, and an additional
of any message, and an additional
of any message, and an additional

Form 1206A

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filled

DAYTIME DESIRED
Letter
Night Message
Night Letter

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

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

(5)

Business practically all of which is for New York
month. You should ask time for our directors to consider.
Length. Common liability on notes gives us clear position to object if plan has possibilities of ultra vires.

Strong

C O P Y

[Apr 21? 1923]

Collect

Case

Federal Reserve Bank, New York City

Your telegram. First read my letters and memoranda relating to both former proposals by our member bank.
Second Get Jay's recollection of circumstances.
Third. Personally object to plan of appointing correspondent for reasons then stated.
Fourth Assuming by your message present plan is own agency following objections appear.
First. Probably ultra vires ask Mason's opinion
Second. Subjects assets and management to control foreign legislature and courts.
Third Hostility always shown there to American bankers likely to be greater even with us owing to Government relationship.
Fourth. Expense and responsibility will be considerable with benefit to no one for whom we are responsible.
Fifth. Unwillingness to conform to methods now common there will make for trouble.
Sixth. A foreign agency absolutely unheard of by banks of issue which before war were even unwilling to maintain deposit accounts in foreign banks much less open agencies for obvious reasons stated.
Seventh. They should have their own bank of issue but if our Government wants currency clean up would see less objection to having one such operation expenses to be refunded and then quit.
Eighth It seems rather unusual for Boston to open an office to conduct business practically all of which is for New York.
Ninth. You should ask time for our Directors to consider.
Tenth. Common liability on notes gives us clear position to object if plan has possibilities of ultra vires.

[signed] SStrong

[No date]

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

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

WESTERN UNION TELEGRAM

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

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

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

This message is collect, the tolls will be charged to your account unless otherwise instructed.
[Signature]
 1923 APR 25 PM 5 06

RECEIVED AT

VA 254 40 COLLECT NL

COLORADO SPRINGS COLO 25

CASE

FEDERAL RESERVE BANK NEWYORK NY

REFERRING YOUR WIRE CERTAIN CONSIDERATIONS RATHER PERSONAL BETWEEN BOSTON PARTY AND MYSELF SUGGEST IT BE NOT KNOWN THAT THIS REFERRED TO ME PLEASE SET STATEMENT CONFIDENTIALLY FROM HARRISON WHO KNOWS STORY BEFORE APPEARING BEFORE BOARD BUT HOLD STRICTLY CONFIDENTIAL

STRONG..

Waco. Tex. Apr. 26. 1923.

Dear Mr. Case -

Your of the 21st has just come as I am reading the Strues reports of the Mich. Conference. Please show this letter also to Jay. -

The situation is beginning to cause me concern - in certain respects. It seems to be the watched pot that never boils, - no action but lots of looking.

Now my own idea of a program - for what it is worth. - is to first have an authoritative and simple statement, - by the board - along the lines I wrote Jay. It should be well spread over the country. A little later it should go to 5% - The other Res. Bns, except possibly N.Y. & Boston, should hold off till discounting indicates clearly, need for a raise.

Meanwhile our bills should run off - to a considerable extent & not be replaced - and Gov't Secs should be gradually reduced ^{all year} but faster than at present. This puts market rates up; forces borrowing & gives clear demonstration our rates can be raised!

Now see what has happened. - No statement by board. - Without it we are reluctant to

question of
subsidy?

Increase rates.

Chicago & possible, others may do so before

we do -

Board may approve increase & make no statement (the worst that could happen)

and as to investments, our bill holders are still increasing & in Govts, the record is as follows -

Total Reduction since 17 to Feb. 21 is

Mar 17 million 515.

Feb 21 less 354 app 30 - 198.

161 Reduction

all money buyers.

of which N.Y. contributors 123 million -

& the others combined 38 million - a

great showing - Chicago has got back

all she sold & de souped on the Com. money

Phila no change, Atlanta increased 8 million

Chi. down but 13 million St. L. up 4 m -

Mem. Kc. & Dallas all larger -

Were I called into Court, & put on oath, I'd say it was "Crippling Suicide"

The fault is not ours, we have done our part handsomely - but it means, - and I

want you to say to realize it - that influence must accomplish something

with the board, or (A) we must submit our increase without any stat^d in

order to make a record as we did in 1919 -

or (B) abandon the whole job to Washington

and let the Board make all our loans,

and investments, hire our clerks and buy

in Stationing. What I mean is that the
members of the board should agree on a
plan, at least as to Sec. 14. affairs &
observe it - or we should frankly tell the
Board it won't work & have them impose
a policy. That means the end of it!

I sympathize with the Board's position,
that they get the slamming and have
little power to make their views observed!

It has not concluded reading the
news & may get some comfort out of
it later. But clearly, there is no
need for rates increase now - there is
certainly to be later - we cannot tell
just when, & that statement should
be made now & not deferred until
rates increases must, be made & we
set up a scare by having rates &
statement come all at once.

What is being done about it?

Best to you -

D.S.

* "You can lead a horse to water
but cannot make him drink" ✓ 1/16

(copy)

Colorado Springs, April 26, 1923.

Dear Mr. Case:

Yours of the 21st has just come as I am reading the stenographic reports of the March conference. Please show this letter also to Jay.

The situation is beginning to cause me concern in certain respects. It seems to be the watched pot that never boils, - no action but lots of looking.

Now my own idea of a program - for what it is worth, - is to first have an authoritative and simple statement by the board along the lines I wrote Jay. It should be well spread over the country. A little later New York should go to 5 per cent. The other reserve banks, except possibly New York and Boston, should hold off *till discounting indicates clearly need for a raise.

Meantime our bills should run off - to a considerable extent and not be replaced - and Government securities should be gradually reduced - but faster than at present. This puts market rates up; forces borrowing and gives clear demonstration our rates can be raised!

Now see what has happened -

No statement by board.

Without it we are reluctant to increase rates.

Chicago and possibly others may do so before we do.

Board may approve increases and make no statement (the worst that could happen) and as to investments, our bill holdings are still increasing and in Governments the record is as follows:

Total reduction May 17 to Feb. 21 is

May 17 millions 515

Feb 21 354

161 reduction

of which New York contributed 123 million and the others combined 38 million - a grand showing. Chicago has bought back all she sold and McDougal on the

April 26, 1923

Committee; Philadelphia no change; Atlanta increased 8 million; Chicago down but 13 million; St. Louis up 4 million; Minneapolis, Kansas City and Dallas all larger.

Were I called into Court and put on oath, I'd say it was "creeping suicide". The fault is not ours, we have done our part handsomely, but it means, and I want you and Jay to realize it, that influence must accomplish something with the Board, or (A) we must submit our increase without any statement in order to make a record as we did in 1919, or (B) abandon the whole job to Washington and let the Board make all our loans, and investments, hire our clerks and buy our stationery. What I mean is that the managers of the banks should agree on a plan, at least as to Sec. 14 affairs, and observe it - or we should frankly tell the Board it won't work and have them impose a policy. That means the end of it !

I sympathize with the Board's position, that they get the slamming and have little power to make their views observed !

Have not concluded reading the record and may get some comfort out of it later. But clearly, there is no need for rate increase now - there is certain to be later - we cannot tell just when, and that statement should be made now and not deferred until rate increases must be made and we set up a scare by having rates and statement come all at once.

What is being done about it?

Best to you.

B. S.

May 1st 1923

RECEIVED
MAY 8 1923
F.H.C.

Dear Mr. Case.

A suggestion bearing on a cable in reply to Sherman eto 2.

"Yours etc" as usual -

"First. While of course there are considerations moving you in this matter which do not reach us so closely - ~~the~~ I have personally felt unwilling to recommend such loans here - because so wholly lacking in confidence in outcome of Reparation plan, now or at any time since treaty was signed, etc. Do not see how you can escape some inflation if loans are for considerable amount.

Second. Might not such a move be wholesome in view of possibility we may need to go to 5% before very long,

Third. We regret not being able to help more actively; but what you propose seems best method of approach. Let us know if we should see them to discuss details.

"Strong"

This might be worked over & shortened and sent as personal from me or from any of us. I think we should keep the

Personal Contact in this Private Centre. Just
as close as possible.

Hurriedly

B.S.

(copy)
May 1, 1923.

Dear Mr. Case:

A suggestion follows for a cable in reply to Norman's No. 2.

"Yours etc. - as usual -

"First. While of course there are considerations moving you in this matter which do not reach us so closely I have personally felt unwilling to recommend such loans here because so wholly lacking in confidence in outcome of Reparation plan now or at any time since treaty was signed stop Do not see how you can escape some inflation if loans are for considerable amount.

"Second. Might not such a move be wholesome in view of possibility we may need to go to 5 per cent. before very long.

"Third. We regret not being able to help more actively but what you propose seems best method of approach. Let us know if we should see them to discuss details. Strong."

This might be worked over and shortened and sent as personal from me or from any of us. I think we should keep the personal contact in this private correspondence just as close as possible.

Hurriedly,

B. S.

Very private but show Jay

May 1st 1923.

Dear Mr. Case -

Yours of the 28th did me a lot of good. It was more of a talk than a letter. How I need a voice & a see, ! Let me reply by numbering your subjects & returning the letters. I have much writing.

① My point is this. That Com. was a product of Gilbert's & of mine & I appointed it, to carry out a Treas^r program. She was to accomplish what the Board desired, with which I am in accord, was to make an arrangement with the Chairman ^(exec.) - or suggest it to the Conference. Every time the Board assumes some arbitrary power like this, our approach nearer to actual management (instead of supervision) by a political body. And the Board will be wholly political within 2 years! Now that they have discharged the old Com. & reappointed it. - the whole affair is surrendered to the Board. - its too late to save the precedent. This comment arises from no threat for power on my part, or no antagonism to the board. I'm simply looking ahead to the day - near at hand - when the Banks are rubber stamps - if we permit it!

② The Gov't Secy as reported to the Conference was as of Feb. and of course a great change has since occurred, of which I had no news

I wrote you. But please recall that the
 was to keep "Earning Assets"
 from increasing & rather to reduce the
 total (by selling Govts) to the extent required
 to offset gold imports. It was not adopted
 at the Oct. Conf. but we were still working
 to that end. Since since Feb'y we did about
 all the selling, as the figures you send me
 show. It was largely C.W. & R.C. that
 nullified our efforts.

(3) Sorry not to like the "renting out"
 scheme. It seems a bit beneath us. - and
 I hope we won't make a practice of it. No
 gain by it, & the game isn't worth the candle.

(4) You said you would deal face to face
 with Gilbert on his financing. He will be
 guilty of a colossal blunder if he fails
 to meet the market by promptly distributing
 the bonds we've hung up - our loans
 will go up - we then put up our rates
 & the whole Gov't mkt goes to pot with
 a lot hanging over the market. As I
 wrote Jay - the Board having passed up
 the statement idea - I'm willing to put
 a 5% rate up to the Board - & if it
 is done - it should be ahead of the mkt
 financing. I can just hear Gilbert say
 that this is to refund and the money paid
 to bondholders will go into the new
 issue - but it won't. It will be like
 the last - to some extent.

(5) The vote advising you had decided not to oppose the Plan, surprised me a bit. I know it would be disagreeable - but if the Plan is bad - it should be blocked - though it were disagreeable to do so. Please tell the Directors we must make no commitment without a full understanding - top to bottom. Our friend who is pushing this is often unpalatable & I don't care to assume 40% of the cost of the new currency, let him! The argument about the gold is not valid. The F.R. notes are already in baby & this would double the exchanging new lamps for old. Besides that we have enough burden on our backs now with too much gold. Don't let's add to it.

(6) It is very discouraging & makes clear the point I make in etc (1), sorry not to have a good man, with his bag all packed. You & P.J. must find him! & "in this connection, don't surrender too in the matter of the Swiss Bank. If there is something there to do - don't ask permission!

(7) I'd privately ask Norman how much they advance on gold. 98 is too much! Unless the gold is in our hands. My advice about the Swiss loan, until your letter came, was under a misapprehension. Graue seems to have dug out the reason in my correspondence regarding the Reichsbank loan. Just now, I would do nothing

deal with each case as it arises.

③ You don't mis me as much as I miss
 as of you! Talk about Dep. I'm busting with it.

④ There is one thing you must never ^(W)
 forget about rates. An increase, when our
 discounts are not increasing, puts pressure
 on to liquidate. An increase in rates when
 our loans are increasing - tends of course
 to check their increase. The guide is the
 'market' rate, - the facts are the loan
 rate. Therefore if we increase rates, without
 real borrowing pressure on us, - we do so,
 in anticipation of something that may occur
 or to force liquidation. Neither argument
 is frivable. Hence my urgency for a clear
 exposition to the public of no rate increase
 till discounts go up! Should we submit
 an increase, a clear unequivocal record
 should go to Washington, factually but
 plain, that our rate increase represents
 our best view, in the absence of a
 statement of our policy! Don't be in-
 fluenced by blowing House rates. We can &
 in fact are committed to ignore these!

The fact of a disparity - of 1% between our
 rate & the market means nothing until the
 banks begin to use us for the profit or
 any other reason.

Would you have a copy of this made &
 handed to Meyer - with your letter, for my
 files - It's a good thing to have old thoughts

to refer back to now and then - as in 1919!

ossible, Buyer had better ^s return the caps &
from letter to me.

I'm feeling fine. old man! Had half
an hour in the hot sun, tout Ensemble,
today & feel like a two year old,
dly best to you & all the boys.

Yours

B.S.

(copy)

(Very Private but show Jay)

May 1, 1923

Dear Mr. Case:

Yours of the 28th did me a lot of good. It was more of a talk than a letter. How I need a voice and a secretary! Let me reply by numbering your subjects and returning the letters. Saves much writing.

1. My point is this. That committee was a product of Gilbert's and of mine and I appointed it to carry out a Treasury program. The way to accomplish what the Board desired, with which I am in accord, was to make an arrangement with the Chairman (McDougal) or suggest it to the conference. Every time the Board assumes some arbitrary power like this, we approach nearer to actual management (instead of supervision) by a political body. And the Board will be wholly political within two years! Now that they have discharged the old committee and reappointed it, the whole affair is surrendered to the Board, - it's too late to save the precedent. This comment arises from no thirst for power on my part, or no antagonism to the board. I'm simply looking ahead to the day, near at hand, when the banks are rubber stamps, - if we permit it!

2. The Government security account reported to the Conference was as of February, and, of course, a great change has since occurred, of which I had no figures when I wrote you. But please recall that the policy was to keep "earning assets" from increasing and rather to reduce the total (by selling Governments) to the extent required to offset gold imports. It was not adopted at the October Conference but we were still working to that end. Until since February we did about all the selling, as the figures you send me show. It was largely Chicago, Minneapolis and Kansas City that nullified our efforts.

3. Sorry not to like the "renting out" scheme. It seems a bit beneath us, - and I hope we won't make a practice of it. No gain by it, and the game isn't worth the candle.

4. I'm glad you will deal face to face with Gilbert on his financing. He will be guilty of a colossal blunder if he fails to meet the market for prompt distribution. The banks will be hung up, - our loans will go up, - we then put up our rates, and the whole Government market goes to pot with a lot hanging over the market. As I wrote Jay, the Board having passed up the statement idea, - I'm willing to put a 5% rate up to the Board, and if it is done it should be ahead of the May financing. I can just hear Gilbert say that this is to refund and the money paid to Victory holders will go into the new issue, - but it won't. It will be like the last to some extent.

5. The wire advising you had decided not to oppose the plan, surprised me a bit. I know it would be disagreeable, but if the plan is bad it should be blocked though it were disagreeable to do so. Please tell the directors we must make no commitment without a full understanding, - top to bottom. Our friend who is pushing this is of the impulsive and I don't care to assume 40% of the cost of the new currency. Let him! The argument about the gold is not valid. The Federal Reserve Notes are already in Cuba and this would simply be exchanging new lamps for old. Besides that, we have enough burden on our backs now with too much gold. Don't let's add to it.

6. It is very discouraging and makes clear the point I make in No. 1. Sorry not to have a good man, with his bag all packed. You and P. J. must find him! And in this connection, don't surrender too in the matter of the Swiss Bank. If there is something there to do, don't ask permission!

7. I'd privately ask Norman how much they advance on gold. 98 is too much! unless the gold is in our hands. My advice about the Swiss loan until your letter came, was under a misapprehension. Crane seems to have dug out the reason in my correspondence regarding the Reichsbank loan. Just now, I would do nothing and deal with each case as it arises.

8. You don't miss me as much as I miss all of you! Talk about pep - I'm busting with it.

9. There is one thing you must never forget about rates. An increase, when our discounts are not increasing, puts pressure on to liquidate. An increase in rates when our loans are increasing tends, of course, to check the increase. The guide is the market rate, - the facts are the loan account. Therefore, if we increase rates without real borrowing pressure on us, we do so in anticipation of something not yet arisen, or to force liquidation. Neither argument is tenable. Hence my urgency for a clear exposition to the public, and no rate increase 'till discounts go up! Should we submit an increase, a clear unequivocal record should go to Washington, tactful but plain, that our rate increase represents our best views, in the absence of a statement of our policy! Don't be influenced by Clearing House rates. We can, and in fact are committed to ignore them!

The fact of a disparity of 1% between our rate and the market means nothing until the banks begin to use us for the profit or any other reason.

Won't you have a copy of this made and handed to Beyer, with your letter, for my files. It's a good thing to have old thoughts to refer back to now and then - as in 1919! Possibly Beyer had better return the copy and your letter to me.

I'm feeling fine, old man! Had half an hour in the hot sun, tout ensemble, today, and feel like a two year old.

My best to you and all the boys,

Yours,

B. S.

(copied from manuscript)

MSB

CLASS OF SERVICE DESIRED	
Telegram	
Day Letter	
Night Message	
Night Letter	X

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

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filed

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

base

Federal Reserve Bank
New York City -

Jan 3 1923

Letter to Schnyder gives impression
we are rather reluctant to face
need some time of doing business
Customary between banks of issue
Stop aside from that and error in
English first line second paragraph
Seems all right to me
Strong

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

To guard against mistakes or delays, the sender of a message should order it repeated, that is, telegraphed back to the originating office for comparison. For the un-repeated message rate is charged in addition. Unless otherwise indicated on its face, this is an un-repeated message and paid for as such, in consideration of the time it is agreed between the sender of the message 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 message received for transmission at the un-repeated-message rate beyond the sum of five hundred dollars; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the repeated-message rate beyond the sum of five thousand dollars, unless specially valued; nor in any case for delays arising from unavoidable interruption in the working of the lines; nor for errors in cipher or obscure messages.
2. In any event the company shall not be liable for damages for mistakes or delays in the transmission or delivery, or for the non-delivery, of any message, whether caused by the negligence of its servants or otherwise, beyond the sum of five thousand dollars, at which amount each message is deemed to be valued, unless a greater value is stated in writing by the sender thereof at the time the message is tendered for transmission, and unless the repeated-message rate is paid or agreed to be paid, and an additional charge equal to one-tenth of one per cent of the amount by which such valuation shall exceed five thousand dollars.
3. The company is hereby made the agent of the sender, without liability, to forward this message over the lines of any other company when necessary to reach its destination.
4. Messages will be delivered free within one-half mile of the company's office in towns of 5,000 population or less, and within one mile of such office in other cities or towns. Beyond these limits the company does not undertake to make delivery, but will, without liability, at the sender's request, as his agent and at his expense, endeavor to contract for him for such delivery at a reasonable price.
5. No responsibility attaches to this company concerning messages until the same are accepted at one of its transmitting offices; and if a message is sent to such office by one of the company's messengers, he acts for that purpose as the agent of the sender.
6. The company will not be liable for damages or statutory penalties in any case where the claim is not presented in writing within sixty days after the message is filed with the Company for transmission.
7. It is agreed that in any action by the Company to recover the tolls for any message or messages the prompt and correct transmission and delivery thereof shall be presumed, subject to rebuttal by competent evidence.
8. Special terms governing the transmission of messages under the classes of messages enumerated below shall apply to messages in each of such respective classes in addition to all the foregoing terms.
9. No employee of the company is authorized to vary the foregoing.

THE WESTERN UNION TELEGRAPH COMPANY

INCORPORATED

NEWCOMB CARLTON, PRESIDENT

CLASSES OF SERVICE

TELEGRAMS

A full-rate expedited service.

NIGHT MESSAGES

Accepted up to 2.00 A.M. at reduced rates to be sent during the night and delivered not earlier than the morning of the ensuing business day.

Night Messages 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 Messages at destination, postage prepaid.

DAY LETTERS

A deferred day service at rates lower than the standard telegram rates as follows: One and one-half times the standard Night Letter rate for the transmission of 50 words or less and one-fifth of the initial rates for each additional 10 words or less.

SPECIAL TERMS APPLYING TO DAY LETTERS:

In further consideration of the reduced rate for this special Day Letter service, the following special terms in addition to those enumerated above are hereby agreed to:

A. Day Letters may be forwarded by the Telegraph Company as a deferred service and the transmission and delivery of such Day Letters is, in all respects, subordinate to the priority of transmission and delivery of regular telegrams.

B. Day Letters shall be written in plain English. Code language is not permissible.

C. This Day Letter is received subject to the express understanding and agreement that the Company does not undertake that a Day

Letter shall be delivered on the day of its date absolutely and at all events; but that the Company's obligation in this respect is subject to the condition that there shall remain sufficient time for the transmission and delivery of such Day Letter on the day of its date during regular office hours, subject to the priority of the transmission of regular telegrams under the conditions named above.

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

NIGHT LETTERS

Accepted up to 2.00 A.M. for delivery on the morning of the ensuing business day, at rates still lower than standard night message rates, as follows: The standard telegram rate for 10 words shall be charged for the transmission of 50 words or less, and one-fifth of such standard telegram rate for 10 words shall be charged for each additional 10 words or less.

SPECIAL TERMS APPLYING TO NIGHT LETTERS:

In further consideration of the reduced rate for this special Night Letter service, the following special terms in addition to those enumerated above are hereby agreed to:

A. Night Letters may at the option of the Telegraph Company be mailed at destination to the addressees, and the Company shall be deemed to have discharged its obligation in such cases with respect to delivery by mailing such Night Letters at destination, postage prepaid.

B. Night Letters shall be written in plain English. Code language is not permissible.

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

FEDERAL RESERVE BANK
OF NEW YORK

3

TELEGRAM

WIRE TRANSFER
DIVISION

COMMERCIAL WIRE—INCOMING

DECODED TR

CHECKED MU

COMPANY WU

ATTENTION _____

~~TRANSLATION~~ COPY

Colorado Springs Colo
May 4, 1923.

Case
Federal Reserve Bank
New York NY

Your telegram gives too few details to enable me to understand situation if purpose is to clean up currency fail to see why either Boston or system should incur expense which should be borne by Cuban Government or local banks and wholly inconsistent with proposals to reduce free services for members now being discussed. If to enable agency to discount for local branches American Banks it applies only to one of our members stop If to discount generally for all banks in Cuba appears to be clearly ultra Vires and I doubt advisability of our joining any system plan. If to deal in exchange is an unwarranted interference and competition with member banks especially ours. I cannot understand Harding's urgency in this matter and think some one should explain situation fully to Gilbert so that Secretary will know just what it involves. Does Harding propose discounting in Cuba for our member after we declined plan.

Strong

No

06107

9/8/23

OFFICE CORRESPONDENCE

DATE May 10, 1923. 192 To Miss Bleeker

SUBJECT: _____

FROM Mr. Susen, Wire Transfer Division.

The following is a copy of a telegram received from Governor Strong, Colorado Springs
Colorado, May 8, 1923.

"

Mr. Case

F. R. B. N.Y.

Suggest Board be asked to withhold decision Cuban matter until we submit figures showing enormous preponderance New York in sugar Tobacco shipping banking transportation hotels finance exchange transactions and almost every other Cuban industry and trade. How can we be expected to always forego advantages of our position of Central market to other districts if such an invasion of our territory as now proposed is permitted in Washington. The figures suggested will make affair look silly. Brief just received fine so far as it goes but does not cover this point.

(signed) Strong.

"

W. T. 11. 1-15M-11-22

FEDERAL RESERVE BANK
OF NEW YORK

ATTENTION _____

no case
4

TELEGRAM

COMMERCIAL WIRE—INCOMING

TRANSMISSION COPY

WIRE TRANSFER
DIVISION

DECODED VML
CHECKED _____
COMPANY WU

Case

Colorado Springs Colo

May 8, 1923

Federal Reserve Bank
New York NY

Suggest Board be asked to withhold decision Cuban matter until we submit figures showing enormous preponderance New York in sugar Tobacco shipping banking transportation hotels finance exchange transactions and almost every other cuban industry and Trade. How can we be expected to always forego advantages of our position of Central market to other districts if such an invasion of our territory as now proposed is permitted in Washington. The figures suggested will make affair look silly. Brief just received fine so far as it goes but does not cover this point

Strong

07407

CLASS OF SERVICE DESIRED	
Telegram	
Day Letter	
Night Message	
Night Letter	X

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

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filed

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

CaseCollect

May 1923

Federal Reserve Bank

New York City

Please explain to Marks in detail cause of my absence and my great regret at missing him stop Hope you show him every attention stop Tell him I shall write case the bank will me his initials - Strong

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

To guard against mistakes or delays, the sender of a message should order it repeated, that is, telegraphed back to the originating office for comparison. For the one-half the unrepeat message rate is charged in addition. Unless otherwise indicated on its face, this is an unrepeat message and paid for as such, in consideration whereof it is agreed between the sender of the message 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 message received for transmission at the unrepeat message rate beyond the sum of five hundred dollars; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any message received for transmission at the repeated-message rate beyond the sum of five thousand dollars, *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 messages.

2. In any event the company shall not be liable for damages for mistakes or delays in the transmission or delivery, or for the non-delivery, of any message, whether caused by the negligence of its servants or otherwise, beyond the sum of five thousand dollars, at which amount each message is deemed to be valued, unless a greater value is stated in writing by the sender thereof at the time the message is tendered for transmission, and unless the repeated-message rate is paid or agreed to be paid, and an additional charge equal to one-tenth of one per cent of the amount by which such valuation shall exceed five thousand dollars.

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

4. Messages will be delivered free within one-half mile of the company's office in towns of 5,000 population or less, and within one mile of such office in other cities or towns. Beyond these limits the company does not undertake to make delivery, but will, without liability, at the sender's request, as his agent and at his expense, endeavor to contract for him for such delivery at a reasonable price.

5. No responsibility attaches to this company concerning messages until the same are accepted at one of its transmitting offices; and if a message is sent to such office by one of the company's messengers, he acts for that purpose as the agent of the sender.

6. The company will not be liable for damages or statutory penalties in any case where the claim is not presented in writing within sixty days after the message is filed with the Company for transmission.

7. It is agreed that in any action by the Company to recover the tolls for any message or messages the prompt and correct transmission and delivery thereof shall be presumed, subject to rebuttal by competent evidence.

8. Special terms governing the transmission of messages under the classes of messages enumerated below shall apply to messages in each of such respective classes in addition to all the foregoing terms.

9. No employee of the company is authorized to vary the foregoing.

THE WESTERN UNION TELEGRAPH COMPANY

INCORPORATED

NEWCOMB CARLTON, PRESIDENT

CLASSES OF SERVICE

TELEGRAMS

A full-rate expedited service.

NIGHT MESSAGES

Accepted up to 2.00 A.M. at reduced rates to be sent during the night and delivered not earlier than the morning of the ensuing business day.

Night Messages 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 Messages at destination, postage prepaid.

DAY LETTERS

A deferred day service at rates lower than the standard telegram rates as follows: One and one-half times the standard Night Letter rate for the transmission of 50 words or less and one-fifth of the initial rates for each additional 10 words or less.

SPECIAL TERMS APPLYING TO DAY LETTERS:

In further consideration of the reduced rate for this special Day Letter service, the following special terms in addition to those enumerated above are hereby agreed to:

A. Day Letters may be forwarded by the Telegraph Company as a deferred service and the transmission and delivery of such Day Letters is, in all respects, subordinate to the priority of transmission and delivery of regular telegrams.

B. Day Letters shall be written in plain English. Code language is not permissible.

C. This Day Letter is received subject to the express understanding and agreement that the Company does not undertake that a Day

Letter shall be delivered on the day of its date absolutely and at all events; but that the Company's obligation in this respect is subject to the condition that there shall remain sufficient time for the transmission and delivery of such Day Letter on the day of its date during regular office hours, subject to the priority of the transmission of regular telegrams under the conditions named above.

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

NIGHT LETTERS

Accepted up to 2.00 A.M. for delivery on the morning of the ensuing business day, at rates still lower than standard night message rates, as follows: The standard telegram rate for 10 words shall be charged for the transmission of 50 words or less, and one-fifth of such standard telegram rate for 10 words shall be charged for each additional 10 words or less.

SPECIAL TERMS APPLYING TO NIGHT LETTERS:

In further consideration of the reduced rate for this special Night Letter service, the following special terms in addition to those enumerated above are hereby agreed to:

A. Night Letters may at the option of the Telegraph Company be mailed at destination to the addressees, and the Company shall be deemed to have discharged its obligation in such cases with respect to delivery by mailing such Night Letters at destination, postage prepaid.

B. Night Letters shall be written in plain English. Code language is not permissible.

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

Colorado Springs, Colo.,

May 11, 1923.

Dear Mr. Case:

I'm reminded by a note in the May 7th Council minutes that I've long been intending to asked the leased wire Committee to investigate all chances of fraud in the use of our wires for making payments, - both from "inside" and "outside". It is not yet safeguarded as I'd like it to be, - any more than "direct sendings" is. Will you take it up with McDougal?

(Done J.H.C.)

Yours,

B. S.

P.S. Don't you think it important to hold frequent meetings of the "Investment Committee," then we can not be charged with running the whole show!

(don^e J.H.C.)

P.P.S. The ^First is borrowing altogether too much. (Is being followed)

2/11/23

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

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

WESTERN UNION



TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filled

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

Collect.
6000 Spr.

May 18th 1923

Case

Federal Reserve Bank New York City

First. If Norman borrowed in New York and sold dollars in London the result would be the same as borrowing in London and Norman or Exchequer would have additional advantage of gaining dollars so your letter should be changed on that point as first part of second paragraph is wrong.

would prefer to buy bills in

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

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

WESTERN UNION



TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filed

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

2
 Collect
 London with payment and exchange guaranteed rather than lend directly upon gold although we should not hesitate to do either at Norman's request.

Third Rate on bills would be to their advantage.

Fourth. It would not appear to associate transaction with Reichbank matter if done that way and do not think we should change our attitude in that respect as yet.

Charge to the account of _____

\$ _____

CLASS OF SERVICE DESIRED

Telegram	<input checked="" type="checkbox"/>
Day Letter	<input type="checkbox"/>
Night Message	<input type="checkbox"/>
Night Letter	<input type="checkbox"/>

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

WESTERN UNION



TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.

Check

Time Filed

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

3

Fifth. If advances are made be sure and handle so that corresponding reductions in System holdings of bills or certificates take place simultaneously so that will correct inflationary tendency

Sixth Handled this way will postpone and possibly avoid gold imports

Charge to the account of _____

\$ _____

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

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

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filed

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

4

in part and is desirable anyway

Strong

C O P Y

Collect
Colo Spr.

May 18th 1923

Case

Federal Reserve Bank New York City

- First. If Norman borrowed in New York and sold dollars in London the result would be the same as borrowing in London and Norman of Exchequer would have additional advantage of gaining dollars so your letter should be changed on that point as first part of second paragraph is wrong.
- Second. Would prefer to buy bills in London with payment and exchange guaranteed rather than lend directly upon gold although we should not hesitate to do either at Norman's request.
- Third. Rate on bills would be to their advantage.
- Fourth. It would not appear to associate transaction with Reichbank matter if done that way and do not think we should change our attitude in that respect as yet.
- Fifth. If advances are made be sure and handle so that corresponding reductions in system holdings of bills or certificates take place simultaneously as that will correct inflationary tendency.
- Sixth. Handled this way will postpone and possibly avoid gold imports in part and is desirable anyway.

(signed) Strong
+

FIFTEEN NASSAU STREET
NEW YORK

Grasmot

May 22^d 1923.

Dear Mr. Case.

Your bullet letter of the 17th gave me a grand budget of news, not all of it very comforting, but at least I know! Washington is, as usual, our danger point, direct action, & of the variety indicated, is as poisonous, inquisitorial a proposal as I have heard. Should anything on those lines be urged, be done & inform our directors fully. The F.R. Board must take full responsibility for the consequences, and our record should be clear as crystal and unequivocal in opposition.

Am doing fine. & hope you all keep well at the bank. Glad to see \$65 reduction.

Best to you

P.S.

(copy)

Cragmor,
Colorado Springs,
May 22, 1923,

Dear Mr. Case:

Your bully letter of the 17th gives me a grand budget of news, not all of it very comforting, but at least I know! Washington is, as usual, our danger point. Direct action, and of the variety indicated, is as poisonous, inquisitorial a proposal as I have heard. Should anything on those lines be urged, be sure and inform our directors fully. The Federal Reserve Board must take full responsibility for the consequences, and our record should be clear as crystal and unequivocal in opposition.

Am doing finely, and hope you all keep well at the bank. Glad to see # 65 reducing.

Best to you,

B. S.

Charge to the account of _____

\$ _____

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

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

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filed

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

Chicago 5/29

Base

*Federal Reserve Bank
New York*

Papers from Warburg not yet received Stop there are many ways by which every proper assistance can be rendered Cuba without authorizing this monstrous plan Cuba should stand the cost

Charge to the account of _____

\$ _____

CLASS OF SERVICE DESIRED	
Telegram	<input type="checkbox"/>
Day Letter	<input type="checkbox"/>
Night Message	<input type="checkbox"/>
Night Letter	<input checked="" type="checkbox"/>
Patrons should mark an X opposite the class of service desired; OTHERWISE THE MESSAGE WILL BE TRANSMITTED AS A FULL-RATE TELEGRAM	

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filed

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

collect (2)
 Stop. Please be sure and make clear to our directors that if suitable steps are not taken promptly to protect our own members the opportunity to do so will be lost. Stop I am seriously considering telegraphing Hughes personally, on my own responsibility asking

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

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

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filed

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

3

opportunity to submit a statement before he asks for final decision. Am most reluctant to do anything direct of course and await your report.

Strong

C O P Y

Colo Spr 5/29

Case

Federal Reserve Bank
New York

Papers from Warburg not yet received Stpp. There are many ways by which every proper assistance can be rendered Cuba without authorizing the monstrous plan and Cuba should stand the cost Stop Please be sure and make clear to our directors that if suitable steps are not taken promptly to protect our own members the opportunity to do so will be lost Stop I am seriously considering telegraphing Hughes personally on my own responsibility asking opportunity to submit a statement before he asks for final decision Stop. Am most reluctant to do anything direct of course and await your report.

(signed) Strong

CLASS OF SERVICE DESIRED	
Telegram	
Day Letter	
Night Message	
Night Letter	X

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

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filled

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

Coco Spr. 730

Collect.

Base. Federal Reserve Bank, New York
 Warburg's plan seems satisfactory
 except for anomaly of Reserve System
 assuming cost of currency for a
 foreign country at same time that
 charges for services are to be imposed
 upon our own members. Step
 Believe any plan should observe

CLASS OF SERVICE DESIRED	
Telegram	<input type="checkbox"/>
Day Letter	<input type="checkbox"/>
Night Message	<input type="checkbox"/>
Night Letter	<input checked="" type="checkbox"/>
Patrons should mark an X opposite the class of service desired; OTHERWISE THE MESSAGE WILL BE TRANSMITTED AS A FULL-RATE TELEGRAM	

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filed

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

(2)

following fundamentals. First, cost borne by Cuba second, etc depot of currency or assets in foreign Country third. Branches member banks should not be forced to do business with other than their own Reserve Bank if they prefer and should not suffer competition in exchange business fourth Reserve Bank should not

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

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

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filled

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

(3)

maintain own establishment in foreign country 2nd. Any correspondent or agent should not secure monopoly or advantage over competitors in case like this where there is no bank of issue for us to deal with. Finally Warburgs plan closely approximates this and while I think the whole

CLASS OF SERVICE DESIRED	
Telegram	
Day Letter	
Night Message	
Night Letter	X

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

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filled

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

(4.)
Project. Unsound and unnecessary
would greatly prefer this to the
Serious Precedent suggested
by Harding

Strong

Colo Spr. 5/30
Collect

Case,
Federal Reserve Bank, New York

Warburgs plan seems satisfactory except for anomaly of Reserve System assuming cost of currency for a foreign country at same time that charges for services are to be imposed upon our own members. Stop. Believe any plan should observe following fundamentals.

First. Cost borne by Cuba

Second. No depot of currency or assets in foreign country

Third. Branches member banks should not be forced to do business with other than their own Reserve Bank if they prefer and should not suffer competition in exchange business.

Fourth Reserve Bank should not maintain own establishment in foreign country

Fifth. Any correspondent or agent should not secure monopoly or advantage over competitors in case like this where there is no bank of issue for us to deal with.

Finally Warburgs plan closely approximates this and while I think the whole project unsound and unnecessary would greatly prefer this to the serious precedent suggested by Harding

(signed) Strong

File

FIFTEEN NASSAU STREET
NEW YORK

Gram. Mt. June 15th '20

Dear Mr. Case,

Avoided of coughing and of course some strain on that vocal cord led me to shut down on letter writing. To better & I shall send a brief reply to your letters.

May 15th This is really covered by my telegram. It must be borne in mind that in none of these transactions, we were required to have the approval of the F. R. Board, - and I am sure that none of you will accept such approval or disapproval without our directors being first fully advised. The best way is to avoid the situation by not inviting it. The reports of the action of the F. R. Board on this matter indicate that they assume a right to approve or disapprove "transactions" that right the law does not give them - they can "regulate."

me 1st - I thank you for keeping me so well posted. The situation seems to be improving, but we simply must insure that our own members are protected against being forced to do business in Boston, - or else forced out of the Exchange business. The time to make sure is now. Of course you have all had your heads together and will work out some plan. Were I at home mine would be simple enough. I'd go to Hughes, tell him etc., or Atlanta or all of us would furnish all currency required if Cuba would pay out of printing & shipping. Then I'd show him how monstrous it was to go into exchange business & open an office there; and should he listen I'd also see the Pres. - and then if such plan could be put thru, I'd ship gold certificates and get our dirty notes out of Cuba. If there was kicking about gold, I'd ship greenbacks or silver!

June 11th This tells the story. Once such a direction
is accepted and acted upon. - God bless Reserve
System & some other things! You seem always to
it & Morris also. Don't take the responsibility
in taking a position without full support
by our directors and then stick to it
through thick and thin.

Our attitude must certainly be to help
Mr. Brassinger by all means in our power -
but not to surrender the bank!

Of course this is very bad news. I want
to think about it. Possibly, good legal advice
is in order in which case the other reserve
banks represented on the Com. will want to
be heard from. You might consider a talk
with Gilbert and Chellan. Again many
thanks. I like to get the news, even
when bad - it will keep me posted so as
to be oriented on my return. Meanwhile
I regret having no share of the burden. Best
to all at the bank. Lovingly B. J.

(copy)

Cragmor, June 15, 1923.

Dear Mr. Case:

A period of coughing and of course some strain on that vocal cord led me to shut down on letter writing. It's better and I shall send a brief reply to your letters.

May 15th. This is really covered by my telegram. It must be borne in mind that in none of these transactions are we required to have the approval of the F. R. Board, and I am sure that none of you will accept such approval or disapproval without our directors being first fully advised. The best way is to avoid the situation by not inviting it. The reports of the action of the F. R. Board on this matter indicate that they assume a right to approve or disapprove "transactions". That right the law does not give them, they can "regulate".

June 1st. Thank you for keeping me so well posted. The situation seems to be improving, but we simply must insure that our own members are protected against being forced to do business in Boston, - or else forced out of the Exchange business. The time to make sure is now. Of course you have all had your heads together and will work out some plan. Were I at home mine would be simple enough. I'd go to Hughes, tell him N. Y. or Atlanta or all of us would furnish all currency required if Cuba would pay cost of printing and shipping. Then I'd show him how monstrous it was to go into Exchange business and open an office there, and should he listen I'd also see the President, and then if such plan could be put through I'd ship gold certificates and get our dirty notes out of Cuba. If there was kicking about gold I'd ship greenbacks or silver!

June 11th. This tells the story. Once such a direction is accepted and acted upon - good-bye Reserve System and some other things! You seem alive to it and Norris also. Don't take the responsibility in taking a position without full support by our directors and then stick to it through thick and thin.

Our attitude must certainly be to help Mr. Crissinger by all means in our power - but not to surrender the bank!

Of course this is very bad news. I want to think about it. Possibly good legal advice is in order, in which case the other reserve banks represented on the Committee will want to be heard from. You might consider a talk with Gilbert and Mellon. Again many thanks. I like to get the news, even when bad - it will keep me posted so as to be oriented on my return. Meantime I regret having no share of the burden. Best to all at the bank.

Sincerely,

B. S.

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

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

WESTERN UNION TELEGRAM



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

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

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

AM 11 43

RECEIVED AT NEW YORK

1923 JUN 22 AM 11 22

VA 71 192 COLLECT 1/71

COLORADO SPRINGS COLO 22 827A
1059

*Coby in
CR 6/22/23*

J H CASE

FEDERAL RESERVE BANK NEWYORK NY

YOURS EIGHTEENTH SUGGEST CONFERRING WITH WARBURG BEFORE MEETING STOP
 ALL THE ARRANGEMENTS REFERRED TO CARRY OUT POLICY FREQUENTLY DISCUSSED
 WITH BOARD AND HERETOFORE THOROUGHLY APPROVED STOP THEY ARE INTENDED
 TO LAY THE FOUNDATION FOR FUTURE REGULATION OF EXCHANGES AND GOLD
 MOVEMENT AS HARDING WELL KNOWS STOP JAPANESE AGREEMENT WAS MADE AT
 ESPECIAL REQUEST OF OUR GOVERNMENT AND HUGHES HAS EXPRESSED THE VIEW
 IT IS DESIRABLE STOP THE TERMS ARE ADMITTEDLY

560

TIME OF RECEIPT SHOWN
 ON THIS MESSAGE IS
 EASTERN STANDARD TIME

(S) this is a telegram. Otherwise its character is indicated by the symbol appearing after the check.

TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

appears after the check (number of words) this is a telegram. Otherwise its character is indicated by the symbol appearing after the check.

RECEIVED AT

1923 JUN 22 AM 11 22

VA 71 SHEET 2/88

LIBERAL AND INTENDED TO BE BUT IN EVERY CASE ARE RECIPROCAL AND THOSE
CUSTOMARY NOW BETWEEN SUCH INSTITUTIONS STOP THE ABILITY OF BANKS OF
ISSUE TO DO THIS BUSINESS WITH US IS AN IMPORTANT ELEMENT IN THE
GRADUAL EXCHANGE RECOVERY AND STABILIZATION NOW LIKELY TO TAKE
PLACE AND TO DISCONTINUE OR MODIFY THEM WOULD CERTAINLY BE DISCOURAGING
ABROAD AND DEEPLY RESENTED STOP AS THESE HAVE BEEN OPERATING WITHOUT
COMPLAINT FOR SOME YEARS UNTIL HARDING WHO APPROVED THEM AS GOVERNOR
NOW SUDDENLY AND ALONE DISAPPROVES IT SEEMS AN UNWARRANTED

RECEIVED
BY THE MESSAGE IS
EASTERN STANDARD TIME

words) this character is indicated by the symbol appearing after the check.

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

words) this is a telegram. Otherwise its character is indicated by the symbol appearing after the check.

RECEIVED AT

1923 JUN 22 AM 11 22

VA71 SHEET 3/33

PROCEDURE TO DO ANYTHING ABOUT THE ARRANGEMENTS UNTIL MY RETURN STOP
AS I MADE ALL THE ARRANGEMENTS MYSELF AND KNOW THE PEOPLE PERSONALLY
BELIEVE THEY SHOULD POSTPONE CONSIDERING THE MATTER UNTIL FALL
CONFERENCE

STRONG.

THIS CHECK IS PAID TO THE ORDER OF THE
ON THE BALANCE OF
EASTERN STANDARD BANK

(copy)
Telegram

June 22, 1923

Case

Federal Reserve Bank of New York

Yours eighteenth suggest conferring with Warburg before meeting stop All the arrangements referred to carry out policy frequently discussed with Board and heretofore thoroughly approved stop They are intended to lay the foundation for future regulation of exchanges and gold movement as Harding well knows stop Japanese agreement was made at especial request of our Government and Hughes has expressed the view it is desirable stop The terms are admittedly liberal and intended to be but in every case are reciprocal and those customary now between such institutions stop The ability of banks of issue to do this business with us is an important element in the gradual exchange recovery and stabilization now likely to take place and to discontinue or modify them would certainly be discouraging abroad and deeply resented stop As these have been operating without complaint for some years until Harding who approved them as Governor now suddenly and alone disapproves it seems an unwarranted procedure to do anything about the arrangements until my return stop As I made all the arrangements myself and know the people personally believe they should postpone considering the matter until fall conference

Strong

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

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

WESTERN UNION



TELEGRAM

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

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

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

JUN 22 PM

RECEIVED AT Q NEW YORK

1923 JUN 22 PM 1 12

VK150 46 COLLECT

COLORADO SPRINGS COLO 22 1054A

CASE

087 FEDERAL RESERVE BANK NEWYORK NY

LIKE STATEMENT BUT THINK SOMEWHAT DEFICIENT IN NOT EMPHASIZING
 EXPECTATION BY PUBLIC THAT WE WILL GO FORWARD AND NOT BACKWARD IN
 THIS MATTER STOP ALSO ASK WARBURG TO PREPARE TECHNICAL STATEMENT
 SHOWING IMPORTANCE OF THESE UNDERSTANDINGS IN FUTURE RESTORATION OF
 GOLD PAYMENT AND STABALIZING EXCHANGE

STRONG.

310

Telegram

June 22, 1923.

Case

Federal Reserve Bank

Like statement but think somewhat deficient in not emphasizing expectation by public that we will go forward and not backward in this matter stop Also ask Warburg to prepare technical statement showing importance of these understandings in future restoration of gold payment and stabilizing exchange

Strong

FIFTEEN NASSAU STREET
NEW YORK

Brooklyn, July 9th 1923.

Dear Mr. Case.

Thank you for the Conference minutes which Mr. Barrows sent. I'm sorry you have had a dose of poison wip. It can be very painful & troublesome.

The only comment which occurs to me about the Conference, is the possible un wisdom of moving from one plan of correction to another, which is what we seem to have done. Logic has been the undoing of many a good intention in this world of human beings, - and as we are certain to encounter this affair in Congress in the winter, I would have liked to see the appearance of pressure avoided.

There is nothing new here. Weather gorgeous and appetite good! Remember me to all the folks at the Case, & my best to you.
Sincerely
B.S.

Copy
Colorado Springs, Col.

Cragmor, July 9, 1923.

Dear Mr. Case.

Thank you for the Conference minutes which Mr. Barrows sent me.

I am sorry you have had a dose of poison ivy, it can be very painful and troublesome.

The only comment which occurs to me about the Conference is the possible unwisdom of moving from one plan of coercion to another, which is what we seem to have done. Logic has been the undoing of many a good intention in this world of human beings, and as we are certain to encounter this affair in Congress in the winter, I would have liked to see the appearance of pressure avoided.

There is nothing new here. Weather gorgeous and appetite good!
Remember me to all the folks at the bank, and my best to you.

Sincerely,

B. S.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 11th 1923.TO Mr. J. H. Case.

SUBJECT: _____

FROM R.S.

Dear Mr. Case.

Yours of the 7th & Enclosures have been read with great interest. I like the way the Committee is working. Especially wth its seeming cooperation with the Board. What you write of Harding's assault upon the foreign accounts & Proom's abortive, is also good. Of course you will discontinue sending him all reports. I can't stand for more of these affairs!

The increase in borrowing in N.Y. is without question due in part to the sale of our investments. That puts pressure on the market and we must be very careful not to overdo it. We written Jay a line on that, also dullis.

Don't even overlook that the discount the

borrowing bands pay us is like a tax which
they do not pay when we supply funds
to the market under Sec. 14. Bands like
to get out of debt (with exceptions) & the
pressure they put on borrowers, & to see
bonds, is what causes liquidation all along
the line. So don't overdo it & don't
hesitate to shift position & buy when
evidence of pressure is too strong.

In 1908, the Board cut Harrison's in
pay during a crisis. It was his work
that banged up his knees.

all that to all at the band.

Yours

R.S.

(copy)

Colorado Springs, Col.

Cragmor, July 11, 1923.

Dear Mr. Case:

Yours of the 7th and enclosures have been read with great interest. I like the way the Committee is working, especially in its seeming cooperation with the Board. What you write of Harding's assault upon the foreign accounts proving abortive, is also good. Of course you will discontinue sending him all reports. I can't stand for many of those affairs!

The increase in borrowing in New York is without question due in part to the sale of our investments. That puts pressure on the market and we must be very careful not to overdo it. I've written Jay a line on that, also Miller. Don't ever overlook that the discount the borrowing banks pay us is like a tax which they do not pay when we supply funds to the market under Sec. 14. Banks like to get out of debt (with exceptions) and the pressure they put on borrowers and to sell bonds, is what causes liquidation all along the line. So don't overdo it and don't hesitate to shift position and buy when evidence of pressure is too strong.

I am sorry the Board cut Harrison in pay during illness. It was his work that banged up his knee.

My best to all at the bank.

Yours,

B. S.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 17 1923TO J. H. Case

SUBJECT: _____

FROM _____

DS.

Dear Mr. Case.

Have you for hours of the 11th and the
Investment Statement. Please have in mind that
we must not carry our policy too far. Dr.
Conrad do much harm - too much pressure
just now - and as fall approaches, the
money market will need watching.

Why not sell our own bids to any
of the Reserve Banks that are shy on
earnings just now?

Remember me to all at the office

Yours,

DS.

(Larkin)

Colorado Springs, Colorado.

Cragmor, July 17, 1923.

Dear Mr. Case:

Thanks for yours of the 11th and the Investment statement. Please have in mind that we must not carry our policy too far. It could do much harm - too much pressure just now - and as fall approaches the money market will need watching.

Why not sell our own bills to any of the Reserve banks that are shy on earnings just now?

Remember me to all at the office.

Yours,

B. S.

FIFTEEN NASSAU STREET
NEW YORK

Broadwood Oct. 2/23.

Dear Mr. Case -

You certainly know how to give a fellow all the news in tabloid form with exhibits in extenso attached. I feel fortified, oriented, and refreshed! My thanks and my blessing.

On the whole, my recent prognosis of our affairs in prospect is favourable. These views from a distance sometimes put more accurate values on the various parts of the landscape than do the "closeups." The Congress will hardly be able to do us harm; I see evidences of disintegration of the forces which bothered us. If only the Board will perform as they should, - especially as to the old Federal inquiry, certainly the Atlantic City meeting was encouraging, and

The Advisory Council has helped stiffen the
Boards on Bar Collections.

Julius Building reports indicates that we
shall recover a profit, rather than pay a
loss, on our lease. Won't you ask Mr.

Rounds to work up a memo. for me as to
what good accounting practice, which we
can refer to Congress, Treasury & Board,
will permit us to do in applying both the
lease cancellation reserve fund and these
profits, as when & if realized, upon the
cost of our building. I fear he will say
"nothing doing" - he's so damned honest,
bless him! - but I'd like his opinion just
the same.

My best to you all, & many thanks
for your fine letter.

Yours
P.S.

Have already discussed this bit with again talk up with
Rounds + Warren

(copy)

Colorado Springs, Col.

October 2, 1923.

Dear Mr. Case:

You certainly know how to give a fellow all the news in tabloid form with exhibits in extenso attached. I feel posted, oriented, and refreshed! My thanks and my blessing.

On the whole, my recent prognosis of our affairs in prospect is favorable. These views from a distance sometimes put more accurate values on the various parts of the landscape than do the "close-ups". The Congress will hardly be able to do us harm; I see evidences of disintegration of the forces which bothered us. If only the Board will perform as they should, - especially as to the McFadden inquiry. Certainly the Atlantic City meeting was encouraging, and the Advisory Council has helped stiffen the Board on par collections.

Sailer's building reports indicate that we shall recover a profit, rather than pay a loss, on our leases. Won't you ask Mr. Rounds to work up a memo. for me as to what good accounting practice, which we can defend to Congress, Treasury and Board, will permit us to do in applying both the lease cancellation reserve fund and these profits, as, when, and if realized, upon the cost of our building. I fear he will say "nothing doing" - he's so damned honest, bless him! - but I'd like his opinion just the same.

My best to you all, and many thanks for your fine letter.

Yours,

B. S.

OFFICE CORRESPONDENCE

DATE Oct. 16, 1923 192

To Mr. Case

SUBJECT: _____

FROM Governor Strong

sent to Mr. Case noted

RECEIVED DIVISION
OCT 17 1923

Dear Mr. Case:

This is about as I had expected Rounds to report, and of course I agree, especially as to the P & L a/c, and sticking to our program. We can do nothing until the chickens hatch.

Glad to hear of the Governor's call, and hope he does it regularly.

Think it was handled just right. Fear he is in a hole on the "Branch" question.

Yours,

B. S.

*[See Case to Strong
1/25/22]*

Copy on 570A

MEMORANDUM RESPECTING
EFFICIENCY AND ECONOMY IN THE
OPERATION OF THE FEDERAL RESERVE BANK OF NEW YORK

January 13, 1922.

The purpose of this memorandum is, first, to define the problem of increasing efficiency and of reducing the cost of operation; second, to report the progress already made, and, third, to outline the steps that are yet to be taken, toward solving this problem.

STATEMENT OF THE PROBLEM.

Perhaps the first requisite to clear thinking respecting the subject that has been raised is a recognition of the differences between the responsibilities that confront the management of a Federal Reserve Bank and those with which the management of a commercial enterprise is commonly charged.

In the first place, Federal Reserve Banks are great service organizations established primarily to render certain services to member banks and to the United States Government. Nearly all these services are required by law or by the policy established by the Federal Reserve Board, and must be performed whether general business is good or bad, and do not vary in volume in direct proportion to the increases or decreases in commercial business. To illustrate this, it may be pointed out that during the recent decline in general business activity, the volume of transactions in the two largest functions of the bank, namely, the Cash and Collection functions, materially increased.

In the second place, in a commercial enterprise there is really only one class of expense over which the management has no control, namely - the taxes paid;

decision as to every other expenditure rests solely in the hands of the management. In a Federal Reserve Bank, on the other hand, there are comparatively few items of expenditure the incurrence of which is solely within the responsibility of the management.

The following summary shows to what extent the expenses of the Bank are subject to the control of the management.

	<u>1920</u>	<u>1921</u>	Estimated for <u>1922</u>
1. <u>Subject to complete control:</u> (Activities which the management may establish or abolish)	\$ 489,748.41	\$ 599,036.88	\$ 585,319.82
2. <u>Subject to control limited to the enforcement of efficient and economical operation:</u>			
Inherent in banking operations	4,894,405.39	5,425,845.02	5,086,981.61
Incurred as Fiscal Agt. of U. S.	1,521,164.40	698,351.96	376,857.13
Incurred as Depository of U. S.	148,006.06	141,224.92	138,614.10
3. <u>Not subject to control:</u> (Assessment of Federal Reserve Board, Cost of Currency, Gold Shipments, etc..)	1,375,350.04	1,719,490.73	1,080,932.00
Total of items 2 and 3	7,938,925.89	7,984,912.63	6,683,384.84
Grand Total	8,428,674.30	8,583,949.51	7,268,704.66

It is clear from the foregoing that the problem of increasing the efficiency and economy of operation of the Federal Reserve Bank of New York requires that the following steps be taken:

1. A review of the various activities wholly under the control of the management for the purpose of determining -
 - (a) Whether each activity is desirable and necessary in order to safeguard the resources of the bank and to render satisfactory service to member banks and the U. S. Government.
 - (b) Whether the scope or extent of each activity is inadequate, adequate or developed beyond the needs of the service.

2. To examine in detail the methods and procedure carried on in every department, for the purpose of establishing and maintaining the most economical and efficient operation.

Since the bank has no control over the volume of transactions in the operating departments, the problem becomes one of reducing the unit cost of operation to the minimum that is consistent with safety. The economy of operation of these activities can only be shown on the unit cost basis, as it is conceivable that even on a lowered unit cost the total expense might increase due to an increased volume.

PROGRESS ALREADY MADE.

Early in September, 1920, the question of making an intensive study of the operations of the bank with a view to increasing efficiency and obtaining further economy was discussed informally at a Managing Committee meeting, and on September 28, 1920, a definite program for undertaking this work was prepared. As a result of this proposal, the Managing Committee appointed three officers to constitute a Committee on Procedure, which began work in December, 1920, and has completed the following surveys:

- Methods of Handling and Accounting for Securities
- Discount Department
- Standardization of Positions, Grades and Salaries
- Organization
- Certificates of Indebtedness Department
- Government Bond Department
- Country Collection Division

In addition to the above, the following miscellaneous work has been finished:

- Special Analysis of the Expenses, prepared for the use of the Governor at a hearing in Washington before the Joint Committee on Agriculture.

- Preparation of a plan for the establishment of a reasonable book value for the new building and also for providing for depreciation.

At the present time the following surveys are in progress:

- Cash Department
- Mail Teller's Division
- Statistics Department
- Examination of various departmental and general reports for the purpose of (1) standardizing those that are essential and (2) eliminating those that are unnecessary.

In every survey made, it has been found that material savings could be made in operating expenses without reducing necessary safeguards; in fact, in a number of cases it has been possible to establish a more economical procedure, which at the same time increased the safety of operation. The following schedule is presented, showing those departments in which surveys have been completed and the expenditures for 1921 compared with the estimated expenditures for 1922.

	<u>1921</u>	<u>1922</u>
Securities Custody Division	\$114,729.28	\$145,787.62*
Securities Department	74,375.64	62,313.37
Bills Discounted Division	134,003.77	101,567.57
C. of I. Department	114,324.31	74,265.35
Government Bond Department	457,553.19	233,446.87
Country Collection Division	<u>303,410.79</u>	<u>269,409.35</u>
	\$1,198,396.98	\$ 886,790.13
Net Decrease		311,606.85

It must not be inferred that the large savings shown in the schedule are due solely to improvements in procedure; as a matter of fact, the greater part of it is due to a reduced volume of work in certain Fiscal Agency divisions and in the Bills Discounted Division. Moreover, the improved procedure was not in operation in any of the departments for the full year 1921.

It should also be stated that important additional savings in the operation of the above departments can be made if and when certain additional recommendations made have been adopted and put into effect. For example, important improvements have been proposed relating to the operation of the Government Bond Department which are

*This increase resulted from this division taking over the receipt and delivery of securities formerly handled by Bills Discounted Division and the Securities and C. of I. departments.

awaiting the approval of the Treasury before they can be put into operation.

In many cases the operating officers in charge of those departments under survey have taken a leading part in reducing expenses of operation. The most notable example of this effort occurred in the Government Bond Department. During the year 1921, the payroll was reduced \$200,899.52. This reduction was made possible by a reduction in activity and volume of work, but could not have been effected unless the operating officer in charge had accomplished important constructive results consisting chiefly of consolidating 14 sections into 8 sections, and a reduction in personnel amounting to 143 persons.

There have also been numerous cases of reduction in expenses through more economical operation effected by operating officers in departments that have not yet been surveyed by the Committee on Procedure. The most notable example of this has occurred in the Check Department, in which in the face of increasing volume of work the total cost has been reduced as follows:

	<u>1920</u>	<u>1921</u>	<u>Estimate for 1922</u>
Check Department	\$985,953.22	\$961,372.73	\$879,161.86
Transit Division			
Total number of items	55,839,481	63,394,784	
Cost per item	.0095	.0086	

Other departments in which similar results have been obtained are:

	<u>1920</u>	<u>1921</u>	<u>Estimate for 1922</u>
Collection Department	\$497,942.70	\$535,501.42	\$493,901.94
Accounting Department	345,327.11	332,204.33	314,356.29
Auditing Department	298,747.29	254,864.94	221,093.71

Standardization of Positions, Grades and Salaries.

A standardization of positions, grades and salaries of the employes of the bank has been approved by the officers and by the board of directors and is now in effect, having been used during the month of December as a guide in connection with the adjustment of salaries for the year 1922. The main results that have been accomplished by this standardization may be briefly enumerated as follows:

1. The appraisal of every position in the bank on the basis of its responsibilities and requirements in the light of market rates for clerical labor.
2. The disallowance of suggested increases in salaries which are already at or above the maximum established for the position.
3. The adoption of a comprehensive method of consideration of salaries for the whole bank once a year and the facilitation of the work of the Salary and Promotion Committee.
4. The establishment of detailed specifications for the duties and qualifications required for each position, which serve not only as an aid in hiring, transferring and promoting employes, but also give the employes specific information as to the requirements that must be met for promotion.

Organization.

During the past year certain important improvements in the organization of the bank have been adopted which should make for greater efficiency namely:

1. Executive management has been established throughout the whole bank, that is, the principle of departments reporting to the Managing Committee has been discontinued, and in its place the principle substituted of each department reporting to a Deputy Governor.
2. The departments are now grouped under the four deputy governors according to the relationship of their operations.
3. The Administration and Accounts functions have been placed under one Deputy Governor who has sole responsibility for the control of expenses. (Mr. Sailer)

Meetings of Officers in respect to the Control of Expenses.

On June 13, 1921, Governor Strong called a special meeting of officers for the purpose of considering the reduction of expenses. On September 16, 1921, a second meeting was held for the purpose of reporting as to the progress made and for formulating further plans toward economy. Every department of the bank was represented and each officer made a report stating what had been done and what it was proposed to do in the department for which he was responsible. Early in December, each operating officer was required to prepare an estimate of expenditures for the calendar year 1922. These estimates were reviewed by Mr. Sailer. It is planned that, in the light of actual experience, revised estimates will be made at stated intervals during the calendar year 1922. On December 19, 1921, a third meeting was held to consider the estimates of expenses for the year 1922. Each officer was impressed with the importance of not merely keeping within his departmental estimates but of effecting further savings, and was directed to make a specific report on Feb. 1, 1922, of what plans he proposes for reducing expenses in his function or department.

STEPS THAT REMAIN TO BE TAKEN.

In order to bring the constructive work to a successful conclusion, the following steps remain to be taken:

1. The completion by the Committee on Procedure of the surveys of departments and divisions of the bank.
2. The elimination of unnecessary and inefficient employes as fast as the full facts are determined.
3. The continuation of periodical officers' meetings for the purpose of considering the control of expense and the elimination of waste.

4. The preparation of new estimates for the calendar year 1922, in April, in the light of the experience of the first quarter, and again in July, in the light of the experience of the first half year,

5. The review of the monthly statement of expenses so as to compare the actual expenses with the respective proportion of the estimates for the year.

Finally, it is the purpose of the Deputy Governor in charge of Administration and Accounts not only to pass upon the daily requisitions for labor and supplies but to review with the controllers and managers their monthly expense accounts with special reference to the estimates for the year.

PLANS ADOPTED FOR EFFECTING COOPERATION BETWEEN
THE TWELVE FEDERAL RESERVE BANKS

In November of last year, the Federal Reserve Board appointed a Committee on Efficiency and Economy consisting of two members, namely, Messrs. Miller and Mitchell, and formed a supplementary committee consisting of Mr. Wills, Chairman and Federal Reserve Agent of the Federal Reserve Bank of Cleveland, and Governors Norris and Calkins. The Board also directed that each Federal reserve bank appoint a committee of its own to undertake the work of establishing more economical and efficient operation, and also that each bank appoint a representative charged with the duty of effecting cooperation with the other eleven banks. It is understood that these twelve representatives will meet periodically for the purpose of discussing the progress and plans of the work. In taking this action, one of the chief purposes of the Board was to establish a standard expense analysis throughout the System so that comparative information could be produced.

FEDERAL RESERVE BANK
OF NEW YORK

Case

January 23, 1922.

Dear Governor Strong:

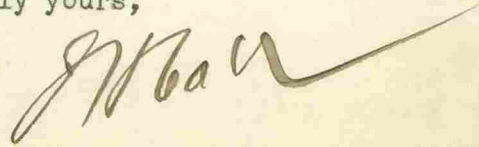
*circ. file
1/23/22*

I take pleasure in enclosing for your use six copies of the seventh annual statement (circular No. 432) of condition of this bank at the close of its fiscal year, December 31, 1921, and of the Profit and Loss account for that year, showing the disposition of net profits. Copies of the statement have been forwarded to our directors and the governors of the other Federal reserve banks; also to the members of the Federal Reserve Board, Mr. Gilbert of the Treasury, and Mr. Paul M. Warburg. We have given the matter of its arrangement a good deal of thought, and I trust it will meet with your approval.

I am also enclosing a memorandum respecting efficiency and economy in the operation of the Federal Reserve Bank of New York, which was submitted to our directors at their meeting on January 13. After going over it our board, I am sure, was satisfied that the officers were doing everything they reasonably could to bring about efficiency and economy in the cost of operation.

You are, I hope, rapidly recovering from your recent indisposition and I trust that you may soon be back on the job with a large amount of "pep." If you have not already seen them, you may be interested in the enclosed cartoon taken from yesterday's "Times", and the Harriman Bank advertisement which appeared in the "Times" to-day.

Cordially yours,



Benj. Strong, Esq.,
Marlborough-Elenheim Hotel,
Atlantic City, N. J.

Encs. (9)

HARRIMAN NATIONAL BANK

Fifth Avenue and 44th Street

NEW YORK

Excursions In Finance

We recently commented upon the inviting mark offered by prosperous organizations for the shafts of the unsuccessful. To anybody familiar with the A B C of finance, it is perfectly clear why the Federal Reserve Banks have prospered through our recent distress. Now, this is no time to ridicule the efforts of the agricultural community, or any other special class of citizens to force recognition through representation upon the Federal Reserve Board, but we cannot refrain from comparing their demand for the distribution of Federal Reserve surpluses to an attack by a bunch of political burglars.

Why not appoint a "dirt" farmer to the Board for the distribution of the surpluses to the greedy politicians? He will undergo no criminal risk, and his sensibilities will be quickened by the opportunities presented or which he could create. But mark, if such a wedge be driven into the Board in favor of a particular form of industry, there will be no limit to the extent of such class representation. If a "dirt" farmer, why not a fishmonger, an ice man—and particularly a politician, who is honest agreeably to his standards. Thereafter, our railroad and industrial corporations might consider the desirability of representation upon their Boards of Directors of the "short" interest in their securities. Why not?

There are, however, limitations to the patience of the practical business man, who is called upon to observe assault upon an organization that should be as free from politics as the Supreme Court of the United States, and in the name of its shareholders, depositors, and business friends, the Harriman National Bank protests.

**BANKING HOURS FROM 8 O'CLOCK A. M. TO 8 O'CLOCK P. M.
SAFE DEPOSIT VAULTS OPEN FROM 8 A. M. TO MIDNIGHT**

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R. H.
 HERALD SQU

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Readers of The New Yo
 Exchange columns clean by

MAYOR KOHLER WHO CAME BACK

Cleveland's Chief Executive Still Upsetting Predictions and Precedents in Conduct of His Office—Fulfilling Promises

By W. M. TUGMAN.

A LITTLE less than nine years ago, March 18, 1913, Fred Kohler walked out of Cleveland's City Hall, repudiated as a public official. He had fallen from the position he won in ten years' service as Cleveland's "Golden Rule" Chief of Police; "the best Police Chief in America," Theodore Roosevelt had called him once.

This man, whose efficiency and honesty in police administration had contributed much to the success of Tom L. Johnson's administrations as Mayor had been broken on grave charges involving his personal conduct. Johnson had died and Newton D. Baker was Mayor of Cleveland in 1913. Baker, although expressing admiration for Kohler as a Police Chief, had felt compelled at last to acquiesce in the charges.

So there was a long-drawn-out trial before the Civil Service Commission. Charges and elaborate specifications now almost forgotten were aired publicly in the court and warmed over daily in the newspapers. And in the end Kohler was found guilty and dismissed from the police force, compelled to surrender his badge of authority and retire into private life.

Kohler had declared all through his trial that he had been "jobbed" by his enemies, but even so, he caused a good many people in Cleveland to gasp by declaring within an hour after his dismissal that he would seek vindication by going into politics.

"Some day," said Kohler, "the people will elect me Mayor."

That declaration sounded a bit too extreme at the time. Every one in Cleveland knew Kohler for a man of unusual determination, but it is doubtful if even his most sympathetic friends believed he ever could make good.

His Prediction Came True.

On Jan. 1, 1922, Fred Kohler walked back into Cleveland's City Hall and took the oath of office as Mayor.

Aside from all questions as to the official and personal merits of the man and these questions are being debated

Cleveland now more than ever), Kohler's title to fame as a fighter is assured. Whether Kohler's achievements either as Police Chief or as Mayor are long remembered or not, his "come-back" will remain one of the most interesting and in some ways one of the most inspiring events in Cleveland's history.

His dominating personality will not soon be forgotten, and therefore it is

not surprising that he is being mentioned in the history of Cleveland.

sensing the gaining strength of the man, sanctioned his nomination for County Commissioner. Even with this backing he was defeated, but he ran so strongly that his place as a candidate to be reckoned with was assured. In 1918, Kohler was elected County Commissioner, and in 1920 he was re-elected, in the latter case polling a plurality far beyond that polled even by the rest of the Republican ticket in the landslide of that year.

But when, in the Summer of 1921, Kohler intimated that the logical time had come for him to make good his nine-year-old declaration to run for Mayor, he found the Republican leaders skeptical and elusive.

"Kohler may get by as a Commissioner, yes, but as a Mayor? Well, that's a different proposition." So ran the talk among the shrewdest leaders. Besides, they already had a candidate in William S. FitzGerald, then Mayor.

And then Kohler announced that he was going to run anyhow. He added to this the startling announcement that he did not propose to make a single campaign speech or promise, except the promise that he would be as efficient a Mayor as he had been a Police Chief, and that his campaign would be a personal house-to-house canvass of the men and women of the city.

As usual, Kohler adhered strictly to his word. His activities during September, October and the week preceding Nov. 8 were more or less a mystery. "Still ringing doorbells," was the substance of his daily bulletin. But scouts of the two major parties began to report Kohler gains of alarming proportions.

And almost in unison the fire of the two major party candidates and the four minor independent candidates was turned on Kohler, and it was a galling fire of ridicule and vituperation. Kohler made no answer.

At midnight, Nov. 8, the derisive smiles with which old-line political leaders had watched the Kohler campaign were turned to wry expressions of chagrin. Kohler had a clear lead of 4,500 votes over FitzGerald, the nearest candidate, and his election was conceded. In analysis it might be determined that Kohler's victory was not the result of his own popularity so much as the desire of Cleveland voters for a complete change from the haphazard methods of administration under either major party which had plunged the city heavily into debt, demoralized all city services, particularly police protection. But the fact remains that Kohler was elected. His last pre-election remark had been:

"The morning of Nov. 9, the police of Cleveland will shine their shoes and keep

the city to aid him in choosing a Cabinet, a procedure hitherto unheard of in Cleveland politics.

With the co-operation of the Bar Association he obtained J. Paul Lamb, an attorney of more than usual prominence, for Law Director. With the approval of the Bankers' Club he named G. A. Gesell, Secretary of the Civic League, and a leading critic of financial policies under previous Administrations for Finance Director. He appointed John F. Maline, manufacturer, a man with engineering training, Director of Public Service, and Arthur B. Roberts, another business man with a technical training, Director of Public Utilities. And all his other appointments were made after an examination of the training and charac-

Kohler had issued a warning that on taking office he would eliminate all jobs and employes not immediately required for the operation of city services. He had issued a warning also that all city employes would be expected to be at their posts at 8:30 each morning and that they would be expected to keep busy till 5:30 each evening, instead of quitting at 4:30 as they had been allowed to do under previous Administrations.

Jan. 1, the day Kohler was sworn in, was a Sunday. Monday was a legal holiday. Tuesday morning Kohler arrived promptly at 8:30 to begin his work, and it was a tribute to Kohler's reputation for keeping his word that a most without exception the rank and file of city employes arrived at City Hall that morning before he did. Kohler's first act was to give department and division chiefs forty-eight hours to prepare lists of all employes they believed dispensable, and by Thursday evening more than 700 employes had been eliminated from the payroll. Kohler then called for further reductions by the process of consolidating jobs within departments.

In the meantime, hosts of jobseekers were storming City Hall in the firm conviction that Kohler was firing certain people only to make room for their friends. They were destined to disappointment.

Kohler personally talked with every applicant, listening patiently and kindly to each recital, but directed each applicant to "see the proper department head" with the reminder, however, t-



FEDERAL
RESERVE
BANK



IN AT LAST!

FEDERAL RESERVE BANK
OF NEW YORK

Budget

OFFICE CORRESPONDENCE

DATE October 16, 1922. 192TO Mr. Strong,

FROM J. H. Case.SUBJECT: DINNER TO GENERAL DAWES.

We have to thank you for a most enjoyable party last Friday night, and our only regret was that you were not with us. While I had hoped to have three of the directors present, the party finally resolved itself into one of officers only. Besides myself, the following were at your table: Messrs. Kenzel, Oakey, Hendricks, Mason, Bowers, Higgins, Barrows, Crane, Gidney and Dodge. At the last minute Mr. Morris could not come.

OFFICE CORRESPONDENCE

DATE January 22, 1923

TO Governor Strong

SUBJECT: Payment of Extra Compensation

FROM J. H. Case

Pension Plan

I am sorry that you could not have been here on Saturday to witness the good effect of the payment of the extra compensation. Everyone in the bank was wearing a huge smile, and you will be interested to know that there were many favorable comments all along the line with regard to the good work you have done in getting this extra compensation for the employees.

Now that the Federal Reserve Board is taking a more liberal view of these matters, I am wondering if this might not be the psychological moment in which to take up and pursue the matter of establishing the pension plan, which was up for discussion about two years ago, and which was deferred until a more opportune time? I really believe that if something of this sort could presently be put across it would be very desirable.

I assume you will be having a meeting of the Governors Committee on Centralized Execution of Purchases & Sales in a week or so, and perhaps you might like to discuss this matter with them in advance of the Washington Conference.

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

If one of these three symbols appears after the check (number of words) this is a telegram. Otherwise its character is indicated by the symbol appearing after the check.

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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

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RECEIVED AT

30 KX D 32

Q NEWYORK NY 338P JAN 31 1923

BENJAMIN STRONG

CARE OF STATION AGENT WINTERPARK FLO

TELEGRAM RECEIVED WE SEE NO REASON WHY YOU SHOULD NOT REMAIN NEWSPAPER
 REPORTS STATE ENGLAND HAS ACCEPTED OUR DEBT TERMS STOP IN OFFICIAL
 CIRCLES NO MORE DETAILED INFORMATION HAS YET BEEN RECEIVED

CASE

414P

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

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RECEIVED AT

5AZ KD 23 BLUE

Q NEWYORK NY 1050A FEB 9 1923

BENJ STRONG

BON AIR AUGUSTA GA

THANKS FOR TELEGRAM MRS CASE MORE COMFORTABLE MAKING STEADY PROGRESS
TOWARDS RECOVERY EVERYTHING QUIET HERE HOPE YOU WILL DEFER RETURN
UNTIL HOARSENESS DISAPPEARS

CASE

1130AM

[From B. Strong Jr.]

FEDERAL RESERVE BANK
OF NEW YORK


February 28, 1923.

CONFIDENTIAL

Dear Governor Strong:

I presented to our board of directors at its meeting today your letter to me dated February 27 summarizing the report of your physicians. After a careful consideration the directors unanimously voted that, subject to the approval of the Federal Reserve Board, you be granted a leave of absence for six months, or such part thereof as may be necessary, with full pay, to enable you to follow the advice of your physicians.

Very truly yours,



J. H. Case,
Deputy Governor.

Mr. Benjamin Strong,
470 Park Avenue,
New York, N. Y.

FIFTEEN NASSAU STREET
NEW YORK

March 15, 1923.

Dear Governor Strong:

Glad to have your telegram telling us of your safe arrival and comfortable surroundings. I hope you will continue to like it and feel sure you will rapidly recuperate there.

Following are some of the high lights of last week:

At the meeting of the board of directors yesterday there was a continuation of the discussion in which Dr. Miller participated at last week's meeting regarding the advisability of earmarking some part of the gold reserve as likely to be withdrawn. There seems to be a unanimity of opinion as to the desirability of doing something to indicate that at present the reserve percentage does not reflect the volume of available credit. The only difference of opinion is as regards the means to be employed.

The directors have authorized raising the maximum policy under the employes group insurance to \$5,000. The amount of the additional insurance on the lives of the 112 employes, including officers, receiving at the present time more than \$3,000 a year will be approximately \$145,000, and based on last year's experience when the premium refunds amounted to 36% of the gross premiums of about \$32,000, the additional net annual premium is estimated at approximately \$715.76.

The Federal Reserve Board has returned to us the Glass speech list we sent down in response to the Senate resolution. The Board did not submit the lists but wrote the President of the Senate on March 3 pointing out the difficulties in the way of submitting them. This is an encouraging bit of news.

New issue of Treasury certificates. Our quota, \$135,000,000 was over-subscribed last night by about \$70,000,000, of which exchanges amounted to \$15,000,000. A majority of the subscriptions and exchanges are for the year maturity. Subscriptions

3/15/23

Governor Strong

closed last night.

The last Clearing House statement showed a decrease in loans and investments of about \$60,000,000 and a substantially similar fall in deposits.

Money rates continued to display a firming tendency.

Trading on the stock exchange was in a smaller volume than in recent weeks, with a tendency towards lower prices.

After reconsideration of the method of paying officers' salaries, it was decided to continue the new practice of paying by cash.

Mr. Schneckenburger visited the bank last week and reported that affairs were going along smoothly at the Branch.

Mr. Oakey has tendered his resignation as auditor, effective May 1, and the choice of his successor is now being considered. Mr. Rounds is being thought of in this connection. He is perhaps our one best bet.

I am planning to take Mrs. Case down to Virginia Hot Springs tomorrow and spend a few days there with her so as to be in good shape for the Governors Conference.

All send kindest regards and best wishes.

Cordially yours,



Mr. Benjamin Strong,
Cragmore Sanatorium,
Colorado Springs, Col.

*I also Enclose copy of
Mr. Board's letter bearing
date of March 14*



April 4, 1923.

Dear Governor Strong:

Here I am back on the job again after a very delightful week spent at Virginia Hot Springs, and the following somewhat strenuous week spent in Washington attending the Governors Conference. Everything went off fairly smoothly, Governor McDougal serving very acceptably as chairman, and Mr. Barrows serving most efficiently as secretary of the conference. Mr. Barrows will undoubtedly, within the course of a few days, send you a copy of his minutes, which will tell you pretty much the whole story. The following, however, were one or two of the high spots:

(a) CREDIT POLICY AND RATES OF DISCOUNT.

Owing to the absence of Mr. Platt, who was away attending the funeral of Mr. Campbell, the new Board member, the Board itself did not meet with the conference until Thursday, and varied from their usual custom in failing to take up and discuss with us the question of credit policy or rates of discount. The conference appointed a committee to deal with these subjects for it, and I am enclosing, herewith, a copy of the committee's report, bearing the date of March 28. It was transmitted to the Board in the hope that they would give some publicity to the suggestions and recommendations of the Governors Conference. What they did do was merely to publish the first paragraph, and deleted some of that.

(b) OPEN MARKET OPERATIONS.

The Federal Reserve Board transmitted to the conference copy of the resolution marked X-3675, dealing with open market operations, and starting off with the following paragraph:

"Whereas the Federal Reserve Board, under the powers given it in Sections 13 and 14 of the Federal Reserve Act, has authority to limit and otherwise determine the securities and investments purchased by Federal Reserve Banks."

Governor Harding took issue with the Board on this statement, and after a short verbal battle with Dr. Miller succeeded in convincing the Board that the Act did not specifically give them authority to "limit and otherwise determine open market operations".

The resolution was accordingly modified and was approved by the conference in the form as shown by the enclosed copy.

You will observe that the Committee of Governors on the Centralized Execution of Purchases and Sales goes into the discard, and that a new committee was formed to be known as the "Open Market Investment Committee for the Federal Reserve System", the personnel to remain the same. We are planning to have a meeting of the committee at the Cleveland bank on April 13, so if you have any messages or suggestions to convey to the members of the committee, and will advise me, I shall be glad to be the medium through whom they are transmitted.

We had an interesting discussion about the importance to the country on the New York Call Loan market. During the discussion Mr. Crissinger commented upon the unusual ability shown by Cleveland in cleaning up and improving their position so much in advance of the other banks. It may have been a bit mean in me, but I suggested that the way to clean up the community was not to dump your rubbish in your next door neighbor's yard. I think Fancher caught the point.

The report of the Pension Committee was again unanimously approved by the conference, I do not know that the Board will take any different action in regard to it.

Dr. Miller discussed with the conference his new plan for stating the reserve position of the Federal Reserve Banks, which did not receive any sympathy from the conference. Mr. Jay, I think, had really dampened Miller's enthusiasm by a rather strong letter written to Miller the night before.

In addition to the redemption of \$60,000,000. March 16 securities from the Federal Reserve Banks, Mr. Gilbert appeared before the conference and stated that owing to the new system of tax receipts they were over in money, and that they would be glad to redeem now, the \$52,000,000. June 15 securities. The banks, without exception, agreed to this suggestion and turned them in, so that the holdings of Government securities have been reduced by about \$110,000,000. in the last three weeks. The gross amount is down to \$230,000,000. The Treasury has written us a letter

April 4, 1928.

offering to redeem at the market \$10,000,000. 4 1/4% Treasury notes of 1928 which we now hold. As these were obtained on a 4:10 basis, and the market to-day is approximately 4:75 we decided not to accept the Treasury's offer, because in doing so we would have a loss of something like \$190,000.

There was a bully editorial in the New York Evening Post of last night which I am enclosing for your perusal, and I am also sending a memorandum showing the increase in tax receipts which took place in this city, district and country.

I enjoyed very much looking over your letter to Mr. Young, and expect you will be a real "radio fan" before long.

With best regards, I am

Faithfully yours,

Benjamin Strong, Esq.,
c/o Cragmore Sanatorium,
Colorado Springs,
Colorado.

FEDERAL RESERVE BANK
OF NEW YORK

April 17, 1923.

Loose in file 410.5

Dear Governor Strong:

The first meeting of the new Open Market Investment Committee was held at the Federal Reserve Bank of Philadelphia last Friday and we had a very interesting conference. The story can probably best be told in brief by the minutes of the meeting, a copy of which I am enclosing. I hope you will find them interesting and that the action taken will generally meet with your approval. It seems to me that the idea of having a committee whose business it will be to keep an eye on all open market transactions for the System as a whole is a step in the right direction, and I am hoping that it may be possible to operate it to the satisfaction and benefit of all concerned.

Jay is down in Washington trying to stir along the Crissinger matter but from what he just told me over the telephone, it is slow in developing.

I shall hope to write you more fully in a day or two.

Faithfully yours,



J. H. CASE:

Benjamin Strong, Esq.,
C/o Cragmore Sanatorium,
Colorado Springs, Colo.

Enc.

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

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WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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Telegram	
Day Letter	Blue
Night Message	Nite
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RECEIVED AT 17 E. PIKES PEAK AVE., COLORADO SPRINGS, COLO.

1923 APR 19 PM 4 10

VA 242 85 1/70

CO NEWYORK NY 19 540P

BENJAMIN STRONG

244

CARE CRAGMOR SANATORIUM COLORADO SPRINGS COLO

SCHNYDER OF BERNE WIRES HE MAY NEED CREDIT HERE OF FOUR MILLION DOLLARS TO BE USED BY HIM IN STEADYING HIS EXCHANGE SHOULD THIS BE NECESSARY AS RESULT OF USE OF THE CREDIT RECENTLY GRANTED BY HIM TO HIS NEIGHBOR ON THE NORTH STOP HE INQUIRES IF WE WOULD MAKE THIS ADVANCE PRESUMABLY AGAINST GOLD ALSO WHETHER AS ALTERNATIVE HE COULD SELL SHORT TREASURY BILLS HERE STOP THE INK LETTER PRACTICAL

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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

1923 APR 19 PM 4 10

VA 242 SHEET 2

BUT WOULD LIKE YOUR VIEWS ON QUESTION OF POLICY AND DESIRABILITY
OF OUR MAKING LOAN

CASE .

FEDERAL RESERVE BANK
OF NEW YORK

April 20, 1923.

Dear Governor Strong:

Referring to my telegram yesterday regarding the cablegram from Mr. Schnyder of the Swiss National Bank, I was forced to make it rather vague and omit some of the details because I desired to keep it quite private and confidential. Accordingly, I am sending you a copy of the cables from Mr. Schnyder, together with a copy of our cable reply to the Swiss Bank, which was sent out to-day after consultation with Mr. Jay and Mr. McGarrah. I also spoke to Mr. Platt about it over the telephone and a copy of the letter which I have written to him to-day on the subject is enclosed.

Faithfully yours,



J. H. CASE,
Deputy Governor.

Benjamin Strong, Esq.,
C/o Cragmore Sanatorium,
Colorado Springs, Colo.

Encs.

Federal Reserve Bank of New York, Reports Department

Vol. IV: No. 20

April 19, 1923.

Inquiries and suggestions regarding Review, phone Miss Rose, Autom. 341 -- Bell 214
 Periodicals may be obtained from Reference Library, phone Autom. 230 -- Bell 343

FEDERAL RESERVE SYSTEM

What the Reserve Board meeting accomplished

Magazine of Wall Street, 31: pp. 1063-5, 1110-11, 1114, April 14, 1923

The conference between the Federal Reserve Board and the governors of Federal Reserve banks did not lead to advances in rates, or to any announcement of rate policy. The fact that the present growth of commercial loans has proceeded without much recourse to the Federal Reserve banks would have rendered a rate increase ineffective, but now that many member banks are nearly loaned up and market rates are advancing, it is likely that advances in Federal Reserve rates will not be long deferred.

It is to be regretted that no announcement of policy was made. The Federal Reserve Board ought not to make a mystery of its intentions or to postpone their execution until the last minute. "It is a public system, and its acts are acts in which the public is deeply interested, and as to which the rank and file of the community have a right to be informed." Only by reasonable and proper publicity can the System regain the public confidence which has been partly lost through the attacks of demagogic Congressmen and ex-officeholders. The future policy of the Reserve System is of great importance to the country and it is to be hoped that a definite announcement will not be long delayed.

It has been suggested that a super-reserve of approximately 100 per cent. gold be placed behind Federal Reserve notes, leaving the remaining gold to protect deposits. Then when the occasion arises for the redistribution of gold, the super-reserve could be released. The legality, wisdom and success of this scheme seem doubtful. The only proper protection against the inflationary dangers of our gold holdings is a courageous and prompt policy of credit control by the Federal Reserve Board, or a policy of self-restraint on the part of banks and all users of credit, or, even better, a combination of both, resulting in keeping advances down to a level easily supported by our normal supply of gold.

ECONOMIC AND FINANCIAL CONDITIONS

Security issues in France and in various countries, M. Galmiche

Bulletin de la Statistique Generale de la France, XII: pp. 197-221, January, 1923.

At the conclusion of a comprehensive study of security issues in France and in other countries since 1907, the writer combines the results of his investigations in a comparative table, converting into gold francs the value of stocks issued in nine different countries between 1907 and 1922. The United Kingdom, in spite of its importance, is not included in this table

(Continued)

FEDERAL RESERVE BANK
OF NEW YORK

April 21, 1923.

Dear Governor Strong:

It is Saturday afternoon, and I just want to send you a few lines before beating it for the golf course.

Your telegram giving your view on the Swiss National Bank proposal just filled the bill. I sent you yesterday copies of the cables exchanged with Mr. Schnyder, and I am now enclosing a copy of the cable received from him this morning, which completes the picture. I brought this matter before the Executive Committee Thursday in an informal way, and found some reservations in the minds of Messrs. Young and McGarrah as to the desirability of our making such an advance as that suggested by Mr. Schnyder. I think the deterrent factor in their minds was that credit was being extended to Germany by the Swiss Bank. As a result of this inquiry I have asked Jay Crane to give this matter some further thought, and to prepare for me a little brief on the general subject of advances to foreign banks of issue. The formal arrangement which we have entered into with these banks does not allude to this subject in any way. When Crane has prepared this I will send it along to you to get your ideas on the subject. My own thought is that perhaps it will be well for us to have a bit of correspondence with the Bank of England about it, and, after we have agreed on a suitable program to then recommend a course to the Federal Reserve Board so that if future proposals of this sort come to us we will be in a position to deal with them promptly.

Jay has doubtless written you fully with regard to discussions we have had with our Directors on rate policy. I have been one of a limited number, that, during the past few weeks has had a pretty firm conviction that our rate should be advanced to 5%, but apparently I am in the minority and the view-point of our Directors is that business has one foot on first base and that they are not likely to be caught off again

April 21, 1923.

in the immediate future, a view to which I do not subscribe.

My feeling is expressed in the accompanying memorandum on credit policy which I submitted to the Directors at the meeting last Wednesday. Then too, I believe that the present Clearing House rule which automatically requires our banks to pay a higher rate of interest on deposits, is a very bad factor, and unfortunately tends to affect the judgment of some of our city bankers in this regard. For instance, George Roberts of the City Bank told Mr. Snyder a few days ago that he felt that a slight increase in our rate here was over-due, but that, confidentially, some of his associates down stairs were opposed to such an advance on account of the additional cost to the bank in the way of interest on deposits.

Gilbert has been spending the past week in Asheville, but expects to be back at his office on Monday. I think you will be interested in the exchange of telegrams which I had with him on the 17th with respect to further liquidation of Federal Reserve bank holdings of Government securities, and am, therefore, enclosing copies of them together with a copy of my letter of April 18th. On the 19th I received a wire from Gilbert stating that he was prepared to redeem, on Tuesday next, all September certificates now held by Federal Reserve banks; so that his withdrawals of deposits from banks should be more rapid from now on.

The situation in the Federal Reserve Board is to be further complicated by John R. Mitchell's retirement in the near future. Governor Harding was in this morning and seems to think that the President would appoint some banker from the south, preferably from the state of Texas. Verily the plot thickens!

I hope everything continues to go well with you, I certainly detected a good deal of "pep and punch" in your prompt reply to my telegram about the Swiss cable.

With best regards, I am,

Very cordially yours,



Benjamin Strong, Esq.,
Cragmore Sanatorium,
Colorado Springs, Colorado.

FEDERAL RESERVE BANK
OF NEW YORK

TO BE MAILED

CONFIRMATION OF TELEGRAM

WE HAVE TODAY TELEGRAPHED YOU AS FOLLOWS:

April 24, 1923

Benjamin Strong
Cragmore Sanatorium
Colorado Springs,
Colorado.

Have just learned from Platt that Boston bank has applied to Board for permission to establish agency in Cuba and that State and Treasury departments interpose no objection stop Understand Board proposes to have hearing next Monday to which representatives from New York Philadelphia and Atlanta will be invited stop W.P.G. had one for day when I tried to reach him on telephone for further information stop Will write but meanwhile would appreciate expression of your views.

CASE

Chg. to Fed. Res. Bank.

*I dictated this
to Miss Bleeker
and Miss Curry
copy in my
confidential file*

FEDERAL RESERVE BANK
OF NEW YORK

April 28, 1923.

Dear Governor:

I have been trying to find time these last couple of days to sit down and write you a gossip little note about some of the things that are going on here in the bank. I have enjoyed very much the little notes from you which keep popping up on my desk every little while because I am sure that they mean you are beginning to feel much better and need some outlet for some of your pent up energy.

① To begin with - In a recent note you expressed regret that the Board had discharged the committee on centralized execution of orders. Mr. Jay and I have both felt that this was a constructive move. If I understand the attitude of the Board, it was that this committee had been most useful in accomplishing a good piece of work in bringing about a gradual reduction of Federal Reserve Bank holdings of Government securities, and that, therefore, it should be equally helpful to put their other outside investments, - principally the bill holdings, - under the same umbrella. You, no doubt, will read in the stenographic record of the discussion at the Governors Conference at the time that this was brought up. As a result of that talk, one point was made perfectly clear, and that is that the law does not give the Board express authority to limit and otherwise dictate the amount of such investments, although undoubtedly if the issue were ever put to a test the Board could prescribe regulations that would pretty effectually determine the amount of such investments.

② With respect to the selling of securities to offset gold imports, the record is quite clear that we sold very much in excess of the gold that has come in. In this connection I wrote you a few days ago about Mr. Gilbert's request that we undertake to get the Federal Reserve Banks to sell their \$36,000,000 of September certificates. I countered on this by suggesting that as the Treasury was in funds and as there was an excessive amount of September certificates outstanding, they take up this \$36,000,000 for redemption. This Mr. Gilbert agreed to do and redeemed the total amount on Tuesday.

This puts the Government holdings of all Federal Reserve Banks down to approximately \$200,000,000, against the high point of \$630,000,000 a year or so ago. The remaining \$200,000,000 are all Treasury notes, with the exception of about \$35,000,000 of December certificates. The market on short-term certificates has been quite buoyant for the past week and the December 4s have risen in price from say 99-1/2 to 99-15/16. The recent purchases of the dealers, I am told, have been quite generally for European account. If, as and when the December 4s reach par I think I can prevail upon the six banks which hold the December certificates to sell them, although in some instances in order to accomplish this it may be necessary to offer them a further supply of bills.

As you know, our own holdings are reduced to one block of \$10,000,000 4-1/4% Treasury notes due in 1926. These having been exchanged for Victories, they stand on our books at about a 4.10 basis. If they were to be sold at the present market (4.65 basis) it would involve an apparent loss of about \$160,000

3 and our officers, as well as the members of the executive committee, have felt that we should not be in too much of a haste to consummate a sale. Yesterday, however, I received an offer from Salomon Brothers and Hutzler to rent them out for thirty days from next Monday on a 4% basis, which, after conferring with Mr. Jay, I have agreed to do. You doubtless understand that we make no commitment of any sort, but put this in the form of a forward purchase which we agree to make at a date mutually agreed upon.

I merely mention all this to show that we are steadily working along the lines that you have in mind, and I think this is progressing just as fast as it should. I am enclosing some memoranda Mr. Matteson has prepared for me, which will give you a picture of what is going on.

4 As you know, there will be some new Treasury financing announced the early part of May, and, as I am planning to be in Washington on Monday to attend the Cuba hearing as suggested by the Board, I have arranged to go over the matter of terms in the new issue very carefully with Mr. Gilbert. At the present time we are in substantial agreement that a three or four year Treasury note carrying the same coupon rate as the maturing Victories will just about fill the bill. On account of the substantial cash balance now on hand in the Treasury, it is likely that the new issue will be limited to not more than \$500,000,000.

5 In regard to the Cuban situation, since telegraphing you on Tuesday I have reviewed our files in this matter, and, in the light of your telegraphic reply, Messrs Jay, Kenzel and I have been giving this subject a good deal of thought with the result that a memorandum has been prepared which cites the terms of the Act in regard to establishing agencies and sets up some twelve points that seem to us worthy of careful consideration. I am sending a copy of this memorandum to Mr. Platt, suggesting that, among other things, these are some points which we feel should be considered at the hearing. In other words, I have felt that it might expedite matters if, instead of having a discussion at random, we could confine the consideration of the subject to a number of definite and important points. There is one important angle that should not be lost sight of, and that is that if one bank were to establish an agency and, in the course of time, put out, say, \$100,000,000 of its own Federal Reserve notes, it would, in effect, constitute a loan of that amount by Cuba without interest and would give the issuing bank, say, \$60,000,000 of free gold. Dallas under existing conditions, for instance, might very well like opportunity of participating in such an arrangement with a view to getting out some additional Federal Reserve notes that would be likely to stick. Moreover, if the principle which we have adopted with regard to giving the other eleven banks opportunity to participate in foreign accounts on our books is sound, it seems to me that in this instance it is not unreasonable that Boston should follow this course.

6 I had a little chat with Mr. Gilbert yesterday morning, which was most disheartening. He told me that the Secretary had been asked by the powers that be to suggest a banker from the South to succeed Mr. Mitchell, and that if the Secretary found a good man he would be appointed. Mr. Gilbert told me that following the President's recent visit to New York he had made an offer of the position to a banker from Tennessee, and that the other appointment would be a dirt farmer from Kansas. Mr. Gilbert was feeling pretty blue about this, but called me up later in the afternoon to say that the Tennessee fellow had declined the offer so that the post is still open. Mr. Gilbert has asked that we think up the name of some banker in the South who would fill the bill. This Cuban matter, and the very fact that we are constantly having up questions of foreign policy, clearly indicates the desirability of a banker with an international mind. It is quite a drop from a ~~Fraser~~ or a Strauss to a banker from Tennessee! Now that the matter is still open,

4.28.23.

I hope that you will put on your thinking cap and make some suggestions.

Following our discussion about the Swiss Bank loan, Mr. Crane has prepared for me the accompanying memorandum dealing with the subject of loans to foreign correspondents, which I wish you would look over and make such suggestions as occur to you.

I am impressed from time to time with the fact that there are many important questions coming up, and I greatly miss your advice and counsel. I can only restate what I have said before, that I will continue to give all of these matters the very best consideration of which I am capable.

I am sorry that my mind does not run along with yours on the subject of rates. Of course I agree with the principle of having the public mind educated by means of a statement from the new Governor, particularly if I felt that the statement would be of a constructive character. The simple fact is that I, personally, very much doubt whether a statement that is censored by his Washington friends will be constructive or of any real value. I hold very strongly to the opinion that a rate advance should have been made two or three weeks ago, and my honest opinion is that we will very much regret that such an advance was not made. You know that you have preached to me pretty strongly that our discount rate is a language that the public can understand. In my judgment I think you are wholly right about this, and I believe that such an advance was justified, and would have been understood in the light of - (1) existing open market rates; (2) the condition of the commercial banks of the country which are pretty well loaned up; and (3) our swollen gold basis (which I think may be largely drawn upon this autumn). There is a good deal of talk about the Federal Reserve ratio being up and that the loan account of the Federal Reserve Banks does not show the need of an advance. I have felt that in such a complex situation as exists New York should take the initiative and, if need be, provide the red flash which should be a mild warning that we ought not to go too fast. My thought is that the present wage increases will presently be translated into higher prices for commodities, which, in turn, will call for additions to our credit structure. There are no reserve supplies of funds anywhere abouts other than by recourse to the System, and my own feeling is that now that we have let the matter go on account of Government financing we cannot do anything for the next two months, and I fear that when it does become necessary to raise our rate we will find ourselves in the same relative position that we were in in 1919, - that is we will be charged with not having the foresight to act in advance of the flood. I may be wholly wrong about this whole matter, but this is the way it appears to me.

The wheels have been moving rather rapidly here in the office during the past week. Mr. Sailer has been out to Cleveland and Yorke, and will doubtless write you about his trip. Mr. Kenzel leaves today for New Orleans to attend the meeting of the Foreign Trades Council. Mr. Sailer saw Mr. Harrison on Thursday and found him in excellent spirits. The nurses at the hospital gave him a real party the night before in memory of his one hundredth day at the hospital. I am sure that we will all be delighted when you and Mr. Harrison have recovered your health and can rejoin our family here.

My very best to you.

Sincerely yours

P.S. I understand Mr. Barrows has wired you about Mr. Williams' death. We are all terribly distressed about it.

COA
Our loans up 60,000,000
the last two days.

FEDERAL RESERVE BANK
OF NEW YORK

Saturday Afternoon, 2:30

April 28, 1923

Confidential

Dear Governor:

Since dispatching my long screed this morning, I have just received a cable from the Bank of England, copy of which I am transmitting with this, believing that it will be of interest to you.

As you probably know, Mr. Lamont, of J. P. Morgan & Co. is leaving for England to-day, with the view of dealing with the Austrian loan.

Cordially,



Benjamin Strong, Esq.,
Cragmoor Sanatorium,
Colorado Springs,
Colorado.

P. S. Rudolph Hecht of New Orleans is being considered to replace Mitchell on the Federal Reserve Board.



CONFIRMATION OF TELEGRAM

We have today telegraphed you as follows:

April 28, 1923.

Mr. Benjamin Strong,
Cragmoor Sanitorium,
Colorado Springs, Colorado.

R. H. Williams died this morning. A week ago he suffered a hemorrhage at the base of the spine induced by high blood pressure and grew progressively weaker regaining consciousness towards end.

J. H. Case

FEDERAL RESERVE BANK
OF NEW YORK


May 2, 1923.

Benj. Strong, Esq.,
C/o Cragmoor Sanitorium,
Colorado Springs, Colorado.

Dear Governor Strong:

I am enclosing a letter from Mr. Schnyder of the Swiss Bank which refers to his recent cable about borrowing here to steady his exchange. Thinking that you would like to see his letter and yet not be troubled with making a reply, I am sending it to you together with a proposed answer which I will sign and transmit if you have no objections. You will also find enclosed a cable from Mr. Schnyder about the Swiss Federal Railway loan.

Very truly yours,


J. H. CASE,
Deputy Governor.

CONFIRMATION OF TELEGRAM

We have today telegraphed you as follows:

May 4, 1923.

Benjamin Strong,
Cragmore Sanitarium,
Colorado Springs, Colorado.

Washington authorities appear favorably impressed with application of Harding to establish agency in Havana. Further hearing on subject at Washington Monday, next. Several of our member banks invited to attend. They do not favor idea of System going into exchange business.

While the primary purposes of application appear to be redemption of currency and providing through agency sufficient reserve currency to enable banks in Island to release present high reserves and lend out money, it is in form an application for agency to deal in exchange. Granting of application would therefore appear to be, as indicated by you, plainly in excess of power given by Federal Reserve Act to establish agencies.

Do you desire to add to views already expressed?

Case.

FEDERAL RESERVE BANK
OF NEW YORK

May 5, 1923.

Dear Governor:

Thanks for your telegram concerning Cuba. A further hearing is to be held by the Federal Reserve Board in Washington on Monday, for which Jay and I have prepared a little brief, copy of which is enclosed, as representing the views of this bank.

Mr. McGarrah, Mr. Mitchell of the City Bank, Mr. Potter of the Guaranty, and Mr. Allen of the American Foreign Banking Corporation are to attend the hearing and oppose the establishment of a direct agency for the purpose of dealing in exchange, on the ground that it is an unwarranted interference and competition with other banks.

I am sending George Harrison a copy of this brief, and hope to stop off in Baltimore to see him tomorrow, and get an expression of his views.

I am sending you a clipping from Atlanta, and one from Boston which will show you how seriously this matter is being taken.

Cordially,



Benjamin Strong, Esq.,
Cragmor Sanatorium,
Colorado Springs,
Colorado.

The Federal Reserve Bank of New York desires to present its views and the following considerations in regard to the application to the Federal Reserve Board by the Federal Reserve Bank of Boston for permission to establish an agency in Havana, Cuba, under Section 14-E of the Federal Reserve Act.

ATTITUDE OF FEDERAL RESERVE BANK OF NEW YORK

1. If the Federal Reserve Board reaches the determination that an agency of a Federal reserve bank should be established in Havana, the Federal Reserve Bank of New York having no desire to establish such an agency would be very glad to see it established by the Reserve bank of Boston or any other Reserve bank desiring to do so, subject to the provisions of law in operations under Section 14-E under which all Federal reserve banks are given an opportunity, if they desire, to participate in the business undertaken.

PURPOSE OF APPLICATION

2. At the hearing on this subject before the Federal Reserve Board on April 30, 1923, it appeared that the application was made primarily to improve the quality of the paper money now in circulation in Cuba. It also appeared that branches of American banks in Cuba, as well as other banks operating there might, if the agency were established, feel justified in carrying a much smaller supply of currency than at present. Our information leads us to believe that the banks would thereby save many hundreds of thousands of dollars a year.

It further appeared that it might be ultra vires for the Federal Reserve Board to grant an application for the establishment of an agency for currency purposes alone, since Section 14-E does not include carrying a reserve of currency, and the issuing and redeeming of currency among the purposes for which a Federal reserve bank may establish an agency in a foreign country.

The application therefore takes the form of a proposal to establish an agency in Havana for the purpose of dealing in exchange, presumably for these two

REASONS:

- (a) In order that it may comply with the provisions of Section 14-E under which such an agency may be established,
- (b) In order that by dealing in foreign exchange the considerable expense of maintaining the agency may be met,

DEALINGS IN FOREIGN EXCHANGE BY FEDERAL RESERVE BANKS

3. We have always been opposed, and we believe the Federal Reserve Board has held a similar view, to the idea that a Federal reserve bank should deal in exchange in the United States:

- (a) Because the number of dealers and the supply of capital engaged in foreign exchange dealings was ample,
- (b) Because it would put the Federal reserve banks in direct competition with member banks in all parts of the country who have highly developed exchange departments,
- (c) Because of the risks involved.

With respect to dealings in foreign exchange by Federal reserve banks in foreign countries, it has been our belief that Section 14-E intended to provide not for the establishment of independent agencies in foreign countries but for the appointment of banks in foreign countries as correspondents and agents of Federal reserve banks. Through these agencies the reserve banks, when such a course seemed desirable could purchase bills in foreign countries for the purpose of assisting in the stabilization of international gold movements. We have, therefore, with the approval of the Board, entered into agency agreements with a number of foreign banks of issue whereby on order they will purchase for us with their guaranty prime bills in their markets, and likewise, on order, we will purchase for them with our guaranty prime bills in our markets. In each of these agreements all other Federal reserve banks, in accordance with Section 14-E, have been invited to participate and have done so.

We are opposed generally to the idea that a Federal reserve bank should conduct a foreign exchange business in a foreign country merely for the profit

involved. We are opposed specifically to the idea that a Federal reserve bank should conduct a foreign exchange business in Cuba merely for the profit involved;

- (a) Because there is no important international credit movement between Cuba and the United States to be stabilized, and if we are correctly advised, except in times of crisis, the fluctuations in exchange are limited to the cost of shipping currency to or from the United States, say 1/8 of 1%,
- (b) Because such business could be done only in active competition with member and other banks with ample resources, now engaged in it,
- (c) Because of the risk involved,
- (d) Because the paper or the contracts purchased would not have the number of names equivalent to those to which in the United States we restrict our open market purchases of bills,
- (e) Because it is a proceeding for which we believe there is no precedent in the experience of other important banks of issue.

PRINCIPLE OF ESTABLISHING A DIRECT AGENCY

4. We are opposed to the principle of the establishment of a direct agency of a Federal reserve bank in Cuba if any other means can be found of accomplishing the desired results;

- (a) Because it renders some of our assets subject to the laws and the courts of a foreign country,
- (b) Because of the expenses involved in an undertaking which is not the responsibility of the Federal Reserve System,
- (c) Because it creates a precedent for the establishment of direct agencies in Porto Rico and elsewhere.
- (d) It raises the question of the responsibility of a Federal reserve bank to redeem Federal reserve notes in gold in a foreign country.

SUGGESTIONS FOR ACCOMPLISHING PURPOSE OF APPLICATION

5. We are in sympathy with the idea of improving the quality of the paper money circulating in Cuba and offer the following suggestions:

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ТРАОТАСН
- (a) It is the responsibility of the Cuban Government or the banks operating in Cuba to provide a currency which shall be adequate in both quantity and quality. Accordingly any plan under which a Federal reserve bank assists in bringing about this end should be at the expense of those directly benefitted thereby,
- (b) If this primary condition can be met we believe that some plan could be devised whereby through the agency of member banks having branches in Cuba, worn out currency could be redeemed and new currency put in circulation without the expense and responsibilities involved in maintaining an independent agency. Such a plan would also eliminate all question of exchange dealings. The letter written by the Federal Reserve Bank of New York to the Federal Reserve Board on January 19, 1928, and appended hereto, discusses such a plan with respect to Porto Rico.

6 B
To: Mr. J. H. Case

May 5, 1923.

From: Messrs. Higgins and Gilbert.

Subject: Condition and supply of American
currency in Cuba.

As you requested yesterday afternoon, we have made a hurried study of the means of improving the physical condition of American currency circulating, and of the practicability of maintaining a supply sufficient for emergencies in Cuba.

Not having had the time to refer to our Legal Department, we are in some doubt concerning one or two points included in the following suggestions, but we believe that the establishment of a Federal reserve branch in Cuba as an instrument for the purpose, is not warranted by authority of law.

As we understand the problem, it is to provide for a sufficient stock of American currency in Cuba at all times and a means for maintaining a reasonable standard of cleanliness. We believe it may be possible to accomplish this end by one or more methods.

Two plans occur to us at the present time: One, the establishment of an agency of a Federal reserve bank in Cuba; two, the appointment by the Treasury Department of a bank to act as fiscal agent of the United States Government.

In respect of the first proposal, we are not sure that the establishment of an agency would legally include a representative of a Federal Reserve Agent. If, however, it were possible to legally establish a representative of a Federal Reserve Agent, the problem of carrying a stock of unissued Federal reserve notes would be solved. If, on the other hand, the home office would be obliged to show all notes issued to the agency as a liability for outstanding notes, it might sometime become embarrassing because of the lack of sufficient collateral or gold cover. In either case, except for unforeseen conditions, this would provide an emergency stock, and the presence of a sufficient supply of bills in Cuba would permit American branches, and possibly, the Cuban banks to operate with smaller cash reserves.

It appears to us that under Section 14, Sub-section a, any Federal reserve bank has the power to deal in gold at home or abroad and we believe that this could

be construed to mean that it could do so through its agency, and therefore, the problem of circulating the stock on hand in Cuba, proposed in this plan, would be simple. If we are in error in assuming that this could be done through an agency, there is still another method of circulating the notes. Sub-section e, of Section 14, empowers a Federal reserve bank, through its agency, to buy and sell bills of exchange, and presumably, to pay or receive gold or currency therefor, and assuming that the transactions would be too small to permit of circulating the necessary quantity of currency, the method used by the Federal reserve banks in 1915, to place Federal reserve notes in circulation, commonly known as the "pump" method, could be resorted to.

Cleanliness
As to the method of maintaining a reasonable standard of cleanliness, an authority similar to that given to the Federal reserve banks and branches by the Treasury Department, would be necessary. This would permit the agency to cancel and to forward mutilated notes to the United States for destruction at greatly reduced transportation rates. We believe this would cover the requirements of the problem under the plan of establishing an agency.

The second plan, namely, that of the Treasury Department authorizing an established American bank or branch to act as its fiscal agent in Cuba, eliminates the idea of a Federal reserve bank agency. This plan would burden the United States Government with both the supply of clean currency in Cuba and the redemption of mutilated currency. It comprehends the appointment, as a fiscal agent, of some such corporation as the American Foreign Banking Corporation organized under Section 25 of the Federal Reserve Act, or the branch of the National City Bank of New York, and the use of either or both as a depository of the United States Government. It would necessarily mean that the Treasury Department would be obliged to carry large balances in these banks and that they in turn would be required to carry unusually large reserves in order that the reserve supply of currency would be adequate. The Treasury Department would also authorize them to cancel cut and forward mutilated currency under the same regulations now in force with the Federal reserve banks and branches.

An alternative of the requirement to carry large reserves on the government deposits in these American banks in Cuba, would be a plan to have the United States Government carry this supply as a custody and kept intact rather than as a deposit.

Although it is estimated that approximately \$100,000,000 of American money is in current circulation in Cuba, we feel that in this report, it is difficult to approximate the expense of printing and transportation, for the reason that we have had no time to examine data, if indeed it be readily obtainable, concerning the amounts of the various denominations in circulation and the average life of each.

However, as you requested our opinion on the matter, we venture the suggestion that the figures for Cuba would probably bear a similar proportionality to those of Porto Rico. Based on our recent studies of immediate replacements and subsequent annual renewals of paper currency in Porto Rico in relation to the respective circulations of those countries, the cost for Cuba, including printing, insurance and shipping, would be, roughly estimated, as follows: For immediate replacements, \$300,000 to \$400,000; for annual replacements, \$500,000 to \$600,000. It is also estimated that the cost to the United States Government for United States currency should approximate one-half of these totals.

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 5, 1923.

TO Mr. Case

SUBJECT: Redemption of Federal Reserve Notes

FROM J. H. Philbin.

by Branches or Agencies.

I think:

- (1) Each Federal reserve bank is obligated to redeem, in gold or lawful money, its Federal reserve notes;
- (2) Each Federal reserve bank may, and, probably, is obligated to redeem such notes at its branch bank;
- (3) Any Federal reserve bank may, with the approval or by direction of the Board, establish agencies in foreign countries for the purposes specified in Section 14 of the Act and other purposes reasonably incidental and necessary thereto;
- (4) Such agencies would probably not have the power, and, a fortiori, could not be compelled to redeem Federal reserve notes of the principal reserve bank.

The Act provides:

That Federal reserve "notes shall be obligations of the United States"; that "they shall be redeemed in gold on demand at the Treasury Department of the United States or in gold or lawful money at any Federal reserve bank." (Section 16)

That "the Federal Reserve Board may permit or require any Federal reserve bank to establish branch banks within the Federal reserve district in which it is located or within the district of any Federal reserve bank which may have been suspended. Such branches, subject to such rules and regulations as the Federal Reserve Board may prescribe, shall be operated under the supervision of a board of directors" etc. (Section 3)

That "The term 'reserve bank' shall be held to mean Federal reserve bank". (Section 1)

Important

The only comment made by the Board regarding the operations of the branch of a reserve bank is that contained in 4 Reserve Bulletin 256, and is to the following effect:

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 5, 1923.

TO Mr. Case

SUBJECT: Redemption of Federal Reserve Notes

FROM J. H. Philbin.

by Branches or Agencies.

-2-

While there are some differences in the by-laws and conditions or organization of Federal reserve branches, a branch of a reserve bank has no separate corporate entity and its operations are in effect the operations of the Federal reserve bank.

This statement would seem to indicate that a branch is, to all intents and purposes, a projection of the main bank, and seems to demonstrate the right of a reserve bank to perform its operations, including the redemption of notes, through its branches. This right would, of course, seem to be quite obvious.

While there appears to be no authority on the question of whether a reserve bank may be required to redeem its notes through its branches there is, to some extent, an analogy in the case of an obligation of a bank to pay its checks, notes or other paper.

The general rule is, of course, that an instrument for the payment of money must be presented for payment at the place therein expressly or impliedly designated. So the courts of this State have held that a presentment for payment of a note at the principal office of a trust company is insufficient to hold an indorser where the note is payable at a designated branch office of such company - Ironclad Mfg. Co. v. Sackin, 129 App. Div. 555. To the same effect is the case of Chrzanowska v. Corn Exchange Bank, 173 App. Div. 285.

Of course, this analogy is not exact, inasmuch as one case involves the construction of an agreement and the other the interpretation of a statute.

The Act specifically provides places at which reserve notes are redeemable and the only question is whether under a reasonable interpretation the words "Federal reserve bank" may include "or branch thereof".

These words may be fairly implied upon a consideration of the general

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 5, 1923.

To Mr. Case

SUBJECT: Redemption of Federal Reserve Notes

FROM J. H. Philbin.

by Branches or Agencies.

-3-

purposes of the Act. // It is fair to assume that the intent in authorizing the establishment of reserve bank branches was to provide additional facilities for the performance of the services assumed by the reserve banks. To adopt a construction which might tend to hamper the redemption of the currency created by the Act would probably be regarded as in conflict with the spirit of the Act. // In this connection attention might be called to the official **instruction** issued by the Federal Reserve Board on November 27, 1919 in connection with the redemption of unfit Federal reserve notes. This communication refers to the plan theretofore obtaining, under which the subtreasuries were instructed to redeem all unfit notes at the Federal reserve bank or branch Federal reserve bank in their cities. While this may have been more a matter of compliance than compulsion, it indicates the adoption of the suggested construction.

However, this question is probably an academic one for the reason that it is inconceivable that reserve banks would refuse to redeem their notes for the reason that they were presented at their branches.

The authority for the establishment of foreign agencies or correspondents is as contained in Section 14 of the Act.

There can be no question but that the reserve banks may, in proper case, establish foreign agencies for the purposes specified in this section.

While the Federal reserve banks would undoubtedly have the right to redeem their notes through such agencies or correspondents, the question whether they could be compelled to do so would depend upon whether such redemption is reasonably incidental to the purposes for which such agencies were established.

An agency differs from a branch in that it is created for one or more

OFFICE

M-4-22

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 5, 1923.

To Mr. Case

SUBJECT: Redemption of Federal Reserve Notes

FROM J. H. Philbin.

by Branches or Agencies.

-4-

specified purposes. A branch, on the other hand, is usually regarded as endowed with the general powers of its main office. In other words, it is an alter ego.

The agencies authorized by Section 14 of the Act were, it has been said, authorized for one purpose, merely to effect a stabilization in foreign exchange. If such was the intent and purpose of the statute, it is extremely doubtful whether the reserve banks could be compelled to redeem their notes through such agencies on the ground that it was reasonably incidental to the purpose of this section.

Philbin

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The citation for the original is:

“Cuban Federal Reserve Agency.” *The Wall Street Journal* (New York, NY), May 5, 1923.

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The citation for the original is:

“Boston to Press Cuban Bank Plan.” *Journal of Commerce* (New York, NY), May 4, [1923].

FEDERAL RESERVE BANK
OF NEW YORK

May 9, 1923.

Dear Governor:

I have read with a great deal of interest your letter of May 1. It is too bad to impose upon you the task of using your fist so much, but, on the other hand, it is always interesting and illuminating to have your views.

The new Treasury financing is out and is going well. Our quota of the \$400,000,000 offering is \$135,000,000. Our subscriptions to date total about \$270,000,000, \$250,000,000 in cash and \$20,000,000 in the form of exchanges. Gilbert's idea is to take about \$400,000,000 in cash, plus such additional amount as may be represented by exchanges for Victory notes tendered. I think it likely that this latter amount may run to, say, \$150,000,000 to \$200,000,000.

The principal subject I have on my mind to write you about at the moment is Cuba. I have been eating, sleeping and dreaming Cuba for the past three or four days.

Mr. Platt sent me last week a draft of the proposed resolution to be adopted by the Federal Reserve Board, which I am now enclosing, marked #1. In talking with him Thursday afternoon on the telephone, it developed that the Board was in session and, for some unknown reason, was proposing to pass this resolution within the next fifteen minutes. We finally prevailed upon them to defer action so as to give us an opportunity to file a brief on the subject. I think this was the only thing that prevented the Board taking action last week.

The hearing before the Federal Reserve Board in Washington on Monday last was an interesting affair and I must say that the new Governor handled himself in a very business-like manner. To begin with, he limited the discussions to not more than ten minutes for any one speaker, and, in view of the fact that there was a delegation of some fifteen or twenty bankers, such a course was absolutely necessary.

Governor Harding led off by stating that Boston had large unused cash resources and was "looking towards the sea" for a development of their manufacturing business; that as a result of his recent visit to Cuba he was very familiar with its needs; and that he had proposed to his directors the idea of establishing a branch in Havana, - a plan which they had cordially approved. He pointed out that Section 14(e) made provision for the establishment of such agencies and that if given the power to buy and sell cable transfers and bills of exchange he could, incidentally, go a long way in clearing up the very bad currency situation that existed there.

Harding was followed by Adelson of the Atlanta Bank, who handled the situation much more effectively than did Wellborn and McCord the week before.

I was then called upon to present the views of the New York Bank, which I did by reading the memorandum enclosed, marked #2. In sending you a draft of this memorandum on Saturday, I also sent Harrison a copy, suggesting that I would stop off and see him Sunday afternoon and would like to have the benefit of his views. You will observe that paragraphs 1 and 4 have been

materially changed as the result of Harrison's suggestion to tighten them up. This is the form in which our views went into the record.

Governor Crissinger then called upon Messrs Otley, Lane and Hoke Smith of the Atlanta district; then on Bancroft, Aiken and Wing from Boston; and upon McGarrah, Mitchell and Allen of the American Foreign Banking Corporation from New York. While Otley earnestly pleaded for an agency for the Atlanta Bank (instead of giving it to Boston) practically all of the other speakers opposed the idea of any Federal Reserve Bank entering the field of foreign exchange in competition with member banks.

I really believe that this was an eye-opener to the Board. Mitchell of the City Bank, while stating that the establishment of such an agency would probably save him \$300,000 or \$400,000 a year, in that he could materially reduce the amount of cash reserve carried in Havana, said that notwithstanding that fact he was unalterably opposed to the Federal Reserve Banks going out in competition with their members for business of this character; that their exchange profits in Havana averaged \$200,000 a year and that he calculated a 50% reduction would follow if this application of the Boston Bank was granted.

It is apparent from your telegram of May 4 that it was pretty difficult for you to understand just what this application was all about, and your telegram of May 8 rather implies that we should present the advantages of our position as a central market over the other districts. (enclosures marked 3 and 4 respectively) Messrs Jay, Harrison and I all feel that under existing circumstances the position of the New York Bank was a most fortunate one. Briefly it was that we were asking nothing for ourselves; were not suggesting the preference of one Federal Reserve Bank over another; but, in principle, were opposed to the idea of having the Federal Reserve Banks engaged in exchange business and if anything beyond existing arrangements was necessary it could be met by an agency agreement rather than by opening a direct agency. I took occasion to get into the record the fact that 80% of the Cuban sugar business, and probably as much of their tobacco and other products, was with the New York market, so that this point, which you raised in your telegram, was not overlooked.

Paul Warburg provided a knock-out in the form of a letter which he had written to Harding. On account of the illness of his wife, Warburg was not able to go to Washington, but he sent me a copy of his letter to Harding and said that with Harding's consent I might make use of it at the hearing. I obtained Harding's consent privately, and when I felt the psychological moment had arrived, I had Crissinger call for a reading of it. It was certainly a knock-out so far as Harding was concerned, and I honestly think his Boston banking friends were very much chagrined to find just what Harding's previous position had been in this regard. I have just called Warburg to obtain another copy of this letter, which I will enclose for your amusement, - marked 5.

The hearing adjourned at one o'clock but I learned from Gilbert that at three o'clock, when the Board reconvened, they were presented with a strong cable from Crowder urging the Board to grant Boston's application; and Crowder's position was concurred in and indorsed by the State Department. I, thereupon, got very busy with Gilbert and asked him to undertake to flag prompt action until he had sufficient time to examine into the whole subject, particularly the question of redeeming Federal Reserve Notes. I also got Warburg to write Gilbert a letter, a copy of which (marked #6) is enclosed.

Everyone present seemed to feel that the Board was pre-disposed to grant the application, but Alfred Aiken came to me after the hearing and said privately that he was going to have a heart to heart talk with Dan Wing with a view to

finding out what his honest-to-goodness opinion really is with respect to Harding's proposition. It was plain to see that Aiken himself felt a bit humiliated.

The Dow Jones news sheets of today carried a little account of the meeting which is fairly accurate. (enclosure marked #7) It is not a very edifying spectacle to find two banks scrapping for a bone, - and such a poor bone as this is.

There are three other memoranda (marked #8a, b, and c) which you may be interested in looking over.

This, I hope, will give you an outline of the situation as it now exists. My own personal reaction is that in view of the testimony produced at the hearing I don't see how the Board consistently can grant Boston's application.

If you see any important sins of omission or commission in this, will you please point them out.

I know that you will be interested to learn about Harrison's condition. Frankly I was just a bit discouraged when I saw him the Sunday before. He had some new appliance on his leg which pained him a good deal and altogether he seemed, I thought, quite unhappy. But this Sunday he was most optimistic; the pain had left him; and he seemed to be in the best of spirits. He really hopes now to get away from the hospital within the next ten days or two weeks. When he leaves he is planning to go up to Washington, Conn., where it is quiet and he can spend a good deal of his time in the open air. It is perfectly apparent that he has got to be careful for some time to come, and, as far as I could judge, I don't see how he can get back to the bank before the first of August.

With very kind personal regards,

Sincerely yours,

J. H. Case
msb

Benj. Strong, Esq.,
Cragmor Sanitorium,
Colorado Springs, Colo.

Encs.

(Dictated by Mr. Case
but signed in his absence - MSB)

FEDERAL RESERVE BANK
OF NEW YORK

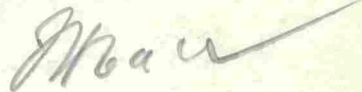
May 14, 1923.

Benj. Strong, Esq.,
C/o Cragmoor Sanitorium,
Colorado Springs, Colorado.

Dear Governor Strong:

I noticed in this morning's newspaper a dispatch from Paris dated yesterday announcing the death of Georges Pallain, Honorary Governor of the Bank of France. I have cabled to the Bank of France expressing our sympathy, and am writing to you as I know you were personally acquainted with Governor Pallain.

Very truly yours,



J. H. CASE,
Deputy Governor.

FEDERAL RESERVE BANK
OF NEW YORK

May 15, 1923.

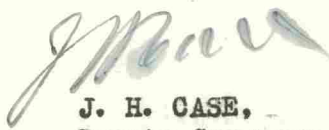
Benj. Strong, Esq.,
C/o Cragmoor Sanitorium,
Colorado Springs, Colorado.

Dear Governor Strong:

I enclose copy of a letter received from Governor Norman which is self-explanatory, together with a proposed reply. It struck me that Governor Norman was very adroitly sounding us out on the question of a loan and in case that was his purpose in writing, I wanted to indicate in my reply that we would be favorably disposed toward a request from the Bank of England for an advance. I assume that your objection to loans which would assist in prolonging the present Reparation muddle would not apply should the Bank of England presently ask us to make them an advance against gold on account of the conditions outlined in Norman's letter.

I have not discussed this letter with the Executive Committee but should like to do so before dispatching our reply. Could you wire me your views on the proposed letter as I should like to send off our reply at the earliest possible moment.

Faithfully yours,


J. H. CASE,
Deputy Governor.

FEDERAL RESERVE BANK
OF NEW YORK

May 17, 1923.

Dear Governor:

The following are a few matters that may interest you:

1. Mr. Jay is down in Washington conferring again with Mr. Grissinger about the idea of coming up to New York and making an address. I have just had a little chat with him over the telephone, and he tells me that in addition to talking with Mr. Grissinger he has met Mr. James and the new Comptroller, and that Mr. Cunningham had merely qualified a day or two ago and had returned to the West for a couple of weeks. Mr. Jay is leaving there tomorrow to go down to Atlantic City to attend the banquet of the New Jersey Bankers Association.

2. There is not much further to report on the Cuban situation other than to say that I understand that Secretary Hughes brought the matter up in a cabinet meeting a week ago, and that he and Hoover strongly advocated the appointment and that the President acquiesced in the proposal and said that he would do the necessary with the new Governor. It is very evident that the Secretary of the Treasury is not very vocal in a meeting where he has strong advocates opposed to him. Rue, of the Advisory Council requested Grissinger to postpone a decision until the Federal Advisory Council meets Monday, as they went on record against the idea back in 1916 when the South American agencies were up, and feel that the matter should not be passed upon without giving the Advisory Council an opportunity to be heard.

3. In the interest of economy and efficiency the Officers Council has agreed to the proposal to consolidate the work of the Procedure Committee with that of Methods and Supplies.

4. The latest Treasury refunding program was most successful. Subscriptions totaled about \$1,000,000,000 on a cash basis and probably \$300,000,000 in exchanges. Gilbert has accepted \$300,000,000 in cash and a little less than \$300,000,000 in exchanges. No further borrowing will be required before June 15, then probably only a moderate amount, and from that point I think the chances are very good for riding until September 15.

The one big bug-a-boo in Treasury financing is the possibility of a soldiers bonus early in 1924. Congress will surely pass such a measure, and I am not at all certain that the veto power will be exercised. I wish you would think up some plan as to how this may be stopped.

5. Money conditions are working easier. The stock market has been greatly depressed, and upwards of \$100,000,000 of street loans have been released as a result. Money today worked as low as 4% on call, with a corresponding enhancement in the prices of short term Governments.

6. Your suggestion about more frequent meetings of the Investment Committee is a good one - a conclusion I had reached several days ago. A further meeting is to be held in Washington next Wednesday, with a preliminary meeting of an informal character here in the bank on Tuesday afternoon.

The aggregate holdings of Government securities have been reduced to \$177,000,000, and I am hoping to have the members of the committee agree as to their

5/17/23

own banks and recommend to the others not on the committee that they re-sell to the market the \$32,609,500 December 4% certificates, which I think the market will absorb at par - in fact, I have just sold to it \$2,500,000 from St. Louis at this price. Gilbert will probably have about \$100,000,000 of surplus for reinvestment between now and June 30, and as the Sinking Fund provisions have now been extended to Treasury notes as well as to the outstanding Government bonds, it may be possible for him to take up some of the lower rate Treasury notes which can be procured under par. In this connection, I am arranging to sell him on May 31 next, the date upon which they will be returned to us, \$10,000,000 4 1/4s, March 1926.

See Current list of holdings attached

7. The Federal Advisory Council is to meet in Washington next Monday, Among the topics to be discussed are:

- a. Cuban Agency
- b. General Economic Situation
- c. Voluntary Services to Member Banks
- d. Direct Action

The last two items appear to be very live subjects, and as the personnel of the Governors Conference Committee on Services to Member Banks is substantially the same as that of the Open Market Investment Committee the Board has suggested that the meeting of that Committee also be held in Washington next Wednesday.

Direct Action seems to have the front of the stage for the moment, so far as the Federal Reserve Board is concerned. We had a little discussion on this at our Directors meeting yesterday, and they were all opposed to the application of that principle here. Mr. Warburg, however, who was in attendance at the meeting feels that there is something to be said in favor of the idea. As an illustration of how it might work according to the Federal Reserve Board's idea, they have suggested that some of our big banks may even now be lending to "sugar speculators", and if that is so it is our business to know about it, and if necessary take steps to discourage it. Could anything be more silly! Sugar, of course, is a political bug-bear in Washington, while the idea of the Southern banks lending to cotton speculators, or the Chicago banks to grain speculators is apparently an entirely different matter. In Washington the situation is certainly a discouraging one.

8. I was interested to find that last week the Guaranty Trust Company withdrew \$500,000 Federal Reserve notes for shipment to Russia, and that today they withdrew \$350,000 for shipment to Germany. What is going to happen when the Russians and Germans taste blood in the form of good money? Are we to be called upon to supply them with a circulating medium?

5/18/23
9. I had quite a long talk this morning with Mr. J. F. Sartori, President of the Security Trust and Savings Bank, Los Angeles, who is on his way to Europe. He had a long tale of woe and some criticism of the System which he apparently wanted to work off on someone, and in your absence turned it loose on me. Boiled down, his criticism, as I told him, was against the Comptroller's office more than against the System. He said that in several instances, recently, he has gone in a city and bought up the "First National Bank" of that town, merged it with his Security Trust and Savings, and that almost over night the Comptroller has granted a charter to another group for the "First National Bank" in the same town. In addition to the question of ethics involved in the granting of such a charter, Sartori said it had actually led to checks drawn on the "First National Bank" being returned "no funds" when in reality they were from an old check book and really represented the original institution which was merged. Sartori said that he has written the Comptroller and

5/18/23

and various members of the Board protesting against this and threatening to withdraw from the System, - a threat which he says he is prepared to make good if he does not get satisfaction.

I also had a nice little visit this morning from Mr. Masson, Director of the Credit Lyonnais, Paris. He merely called to pay his respects and wished to be remembered very kindly to you. He said he had written you, so no doubt you are fully informed of his visit.

10. In line with your suggestion, I have passed on to McDougal, Chairman of the Leased Wire Committee, your thought on the chance of fraud in the use of our wires for making payments, and asked him to have a study made.

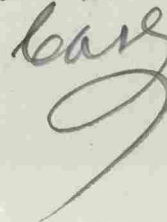
11. The First National borrowings are now down under \$50,000,000, and I learned to-day that they were selling \$13,000,000 of short Governments in the market, which doubtless means that a further reduction will take place in their account.

12. There was a red-hot editorial in the New York Evening Post last night on the subject of "Politics and the Federal Reserve System". "Washington" is long overdue in having someone state just what was well stated in this editorial. I am enclosing a copy for your edification.

Things are running along here at the bank in fairly satisfactory fashion. The boys are planning their annual golf party some time early in June, and Barrows and I are arranging to have them out in Plainfield. I am sorry that you will not be there to lead off with one of your good long wallops, I certainly hope you can show us the way next year.

Trusting that everything is going well with you, I am, with best regards,

Very cordially yours,



Benjamin Strong, Esq.,
Cragmor Sanatorium,
Colorado Springs,
Colorado.

Politics and the Federal Reserve System

For the second time in recent weeks the Secretary of the Treasury has been reported as indulging in comment on Federal Reserve Board policy. He is now credited with saying that the Board has no present intention of raising discount rates and that it has not even discussed the question of rates at its recent meetings. If Mr. Mellon is correctly quoted he has been guilty of a breach of propriety. If he has spoken as a member of the Board he has violated the well-known and well-founded principle that individual members shall not speak for the Board or reveal what goes on in board meetings. Certainly if any one is to interpret the Board to the country it should be the Governor, and then only after due consultation with the Board. To permit individual members to give out their views of the Board's attitude would be to encourage "leaks" and to foster misunderstanding and uncertainty.

But if Mr. Mellon has been speaking as a member of the Cabinet the matter is even worse. It would indicate the low estate to which the Board has fallen with respect to political domination. Both in respect to corporate independence and personnel the Board has suffered severely at the hands of the present Administration. To begin with, the Administration announced its intention of reducing official discount rates and putting Liberty bonds up to par, a programme which ran exactly counter to the correct theory of an autonomous Board. The President's failure to reappoint the Governor of the Board, not because he was not a good Governor but because of the ill-founded opposition of partisan politicians, was the next step in undermining the Board's prestige. The long delay which ensued in naming a new Governor was disgraceful and was aggravated by similar delays in filling other vacancies and by the celebrated "dirt farmer" episode. Finally the President named as the new Governor an individual whose chief qualification was not his standing as a banker, financier, or statesman, but the fact that he had been an intimate of the President in his home town.

With the Administration claiming credit for reducing official rediscount rates, with the Secretary of the Treasury announcing what the Board will or will not do, and with the President's *protégé* appointed Governor of a hand-picked Board, it is abundantly clear that the latter is regarded as a convenient instrument for carrying out the Administration's policies. The theory of an independent Board supervising the nation's banking system in a scientific and impartial manner, and without regard to political pressure, has been discarded. Both the prestige and personnel of the Board have suffered sadly. It is a discouraging chapter in American finance.

Under the circumstances it is not surprising that the Board has lent itself to a cheap money policy. The record here is bad. Not only were the official rates reduced in advance of those in the open market but large open market purchases of Treasury certificates and acceptances were made during the summer of 1922, when the money market was at the bottom. In other words, although the member banks did not care to take the Reserve system's credit at 4 per cent, the Reserve banks created large additional amounts of credit at a time when prices already were on the upgrade. The inflationary character of such an operation is evident. Subsequently, as open market rates moved up, the official rates were kept down.

To-day, with production at its maximum, the official rates are still below the market and hardly any higher than during the depth of the depression. Business has developed a form of colic due to its extraordinarily rapid expansion. Prices and wages have risen too fast. It is the sad record of the Federal Reserve system that it did nothing to restrain the rapidity of the expansion, but rather encouraged it with low discount rates. That it should have done so is not surprising in view of the Administration's inflationary policy. And a grim retribution is now a possibility. Having rushed things up so fast, the Administration is in danger of having the boom kill itself off before the Presidential election can take place. The sacrifice of sound principles may turn out to have extremely unhappy results, even from the narrow standpoint of political expediency.

FEDERAL RESERVE BANK
OF NEW YORK

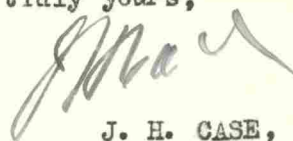
May 22, 1923.

Benj. Strong, Esq.,
C/o Cragmoor Sanitorium,
Colorado Springs, Colorado.

Dear Governor Strong:

Referring to the letters from Mr. Schnyder de Wartensee which you have returned to the bank with a memorandum requesting me to write to Mr. Schnyder, I have sent a letter to him along the lines indicated in your memorandum and am enclosing a copy of it. A short time ago you suggested that Mr. Schnyder was entitled to an informative letter occasionally and with that in mind I wrote to him several days ago and I am also enclosing a copy of that letter for your information. I will see that he is taken care of during your absence.

Very truly yours,



J. H. CASE,
Deputy Governor.

FEDERAL RESERVE BANK
OF NEW YORK

June 1, 1923.

Dear Governor:

Mr. Jay told me yesterday that he was busy getting out a letter to you reviewing some of the operations which have been going on during the past two weeks, but that he was leaving to me the question of keeping you advised on the Cuban situation.

I received your two telegrams of yesterday, and sent you a long message yesterday afternoon which I think will bring you well up to date. Mr. Warburg has been communicating almost daily with Dr. Miller, both by correspondence and over the telephone, and he has now sent me, for transmission to you, copies of some recent correspondence with Miller. I have marked them A, B, and C, A and C being Warburg's letters, and B being Miller's reply.

As stated in my telegram of yesterday, Mr. Hamlin is at work trying to define a joint agency between Boston and Atlanta. Atlanta has apparently sent a steady stream of emissaries to Washington to work on the Board. The very fact that the Board is giving a joint arrangement any consideration is, to my mind, a pretty clear indication that they are being hard pressed and are looking for some solution outside of granting Boston's original application.

Warburg's scheme seems to me to be a good one in that it has the advantage of tying in jointly all the banking institutions in Cuba and would do away with the idea of any Federal Reserve Bank establishing a branch or agency there.

When I was in Washington last week the Board read to me a proposed regulation to cover exchange transactions which impressed me as being quite rigid. I obtained a copy of it from Mr. Hoxton and am now enclosing it herewith.

Warburg told me last night that Dan Wing does not approve the idea of the joint agency and will do what he can to stop that.

I have not talked with Mitchell of the City Bank during the past few weeks for the reason that he has expressed his own view to the Board in very clear fashion, namely, that while an agency of any Federal Reserve Bank would enable the City Bank and all other banks operating in Cuba to cut their reserves in two, he is, nevertheless, as a matter of principle, opposed to any Federal Reserve Bank establishing a direct agency and entering into competition for the purpose of dealing in bills and the purchase and sale of cable transfers.

I have had prepared a list, as of the close of business May 25, of our Cuban bills. They are, with but one minor exception, all sugar bills. The statement shows that out of a total of \$4,932,000 drawn to finance the importation of sugar more than 80% were drawn on institutions in this district, while some of the bills accepted by Boston institutions were drawn by companies domiciled here. The bills drawn to finance the storage of sugar amount to \$940,000 and \$655,000 for the New York and Boston districts respectively. You may be interested in studying the statement further, so I am enclosing a copy for your information.

I know how difficult it must be for you to be so far away and not able to take a personal hand in dealing with this matter in your own vigorous way. In view of the fact that Boston and Atlanta have locked horns, I have considered very carefully the position we occupy and think the document which we filed with the Board is a strong one and leaves us in a rather enviable position.

Kenzel has been away sick for the past week, although he tells me he hopes to be back next Monday.

Trusting that you continue to improve, I am, with best regards,

Sincerely yours,

J. H. Case
msb

Benj. Strong, Esq.,
Cragmor Sanitorium,
Colorado Springs, Colorado.

JHC.MSB (signed in Mr. Case's absence)
Encs.

It has occurred to me that, possibly, a solution of your troubles might be found in a manner that would accomplish everything that the Board and the Administration want to see done and still not transcend the lines of safety that appear so sacred to me and the members of the Council, if something like the following plan would be tried. I will put it in a very crude way and only give you the roughest outline. If the thought appeals to the Board, we might go into a more minute development of the details, which do not seem to me to offer many difficulties.

My thought is simply this:

Let the banks that belong to the Clearing House in Havana (I think Harding said there were eight) jointly organize a small bank, for which they would supply the capital and which you can call the "Federal Reserve Bank Currency Association", or if you do not care to have such a name used, let them take any name to suit themselves. That is entirely as the Board prefers.

Let the Clearing House appoint some directors and let them request the Federal Reserve Board to appoint a few additional ones. It rests with you how much of the power and control you desire. If you care, let them appoint a manager, subject to your approval.

All of this could be handled so that the Clearing House banks submit this proposal to you, and that it should not come from you as a demand. I am sure, General Crowder could manage that end, if the plan appeals to you at all, it is just the kind of thing that Harding could handle very well at the other end.

Appoint this new bank as your agent and give it all the advertising that is necessary in order to have the Federal Reserve bank prestige keep down any plan of an independent central bank in Cuba.

All that would be necessary for the Federal Reserve bank or banks to do would be to agree to open an account with this new agency and to maintain a certain deposit with it under the joint responsibility of the Clearing House banks. They would open this account by shipping new currency to this, let me call it, "Currency Association" or "Federal Reserve Currency Bank of Cuba", and leave it to this currency bank to redeposit these funds with the Clearing House banks in some fair proportion, - at the beginning, I assume, in the same proportion in which they would subscribe the capital and later on, possibly, in proportion to the degree of cooperation and helpfulness that each bank would show.

You would then expect each Clearing House bank to cooperate in turning in soiled currency, by which action they would reduce the deposit, which the currency bank would have with them, and the currency bank, in turn, would, once more, build up that deposit by giving them new currency.

You could give to this new currency bank the power to deal in cable transfers. You could also provide that it might deal in papers on the lines that you had in mind; but I rather think that the latter would complicate matters for the present, and I think it would be better to leave to later developments whether the exercise of such powers would be necessary or not.

I think the scheme speaks for itself. You can paint "Federal Reserve System" all over Cuba just as little or as much as you like, and you would be getting as much prestige out of the transaction as you wish. While you are getting these advantages, you are not establishing an organization of your own; but are dealing with what will be a foreign correspondent, even though it will be one under your own control. You are getting the goodwill of the Clearing House banks and through that the goodwill of Cuba, and, at the same time, you have managed to keep the Cuban politicians out. Moreover, the majority of the Clearing House banks, I assume, would be non-Cuban.

As to your suggestion about the Cuban Agency: It is very ingenious and has given me something to think about, and I shall, when the moment is favorable and after I have thoroughly thought it out, pass it on to the Board.

There are one or two questions I would like to ask you concerning it: Supposing it were thought necessary to have a stock of, say, two million new Federal Reserve currency on hand at the Agency in Cuba, how would the Federal Reserve Bank supplying this currency be adequately protected against loss?

You contemplate that the proposed Currency Association should have a capital. What would be the minimum capital necessary and how should the capital be invested?

It is obvious that if the capital were \$2,000,000 (which I have no doubt would be regarded as greatly excessive) and invested in United States Treasury Certificates, these being pledged with the Federal Reserve Bank supplying Federal Reserve notes to the Currency Association in Cuba, the protection of the Reserve Bank would be complete, but how far short of this it would be safe for the Board to authorize the Federal Reserve Bank to go in insuring the safety of notes to the Association I can easily see might give rise to a difference of opinion.

Copy.

C

run

I am glad that my suggestion strikes you as being worth further consideration, and I am only too happy to answer your questions. You ask: "What would be the minimum capital necessary, and how should the capital be invested?" If you can adopt a plan, under which, as I proposed, the Cuban Clearing House banks would be jointly and severally liable for their transactions with the Currency Association, you need not bother much about the capital of the Association itself. Assuming that you had in mind a deposit of \$2,000,000 with the Currency Association, and assuming for simplicity's sake that the eight banks contributed in equal parts to the capital of the Association, I should say that the Association would deposit its funds in equal parts with each of the Clearing House member banks at a rate of interest to be fixed from time to time. Each member bank would deposit with the Association adequate collateral to secure the deposit. This collateral would be stipulated by the Clearing House banks themselves for their mutual protection, and this collateral in turn could be held again by the Currency Association for the protection of the deposit of the Federal Reserve Bank. If you could proceed on these lines, the capital of the Currency Association would be put in more to establish its legal entity and to provide an additional margin, than for the purpose of creating a large capital responsibility. This is only one way of killing the cat. I think it is the most obvious and safest one. -----If there is any additional question that you would like to have answered, I will try my best to do so.

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

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

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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

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

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

VA291: 214' 1/7C

NEWYORK NY 31' 458P

BENJAMIN: STRONG

CRAGMORE: SANATORIUM: COLORADO SPRINGS: COLO

RECEIVE YOUR TWO TELEGRAMS OF TODAY ONE SENT BEFORE AND ONE
AFTER YOU RECEIVED WARBURG'S PLAN STOP PRESUME THAT THE LATER ONE
CHANGED THE VIEW EXPRESSED IN THE EARLIER STOP DISCUSSED WHOLE MATTER
WITH JAY AND WARBURG AT LENGTH THIS MORNING STOP WARBURG
IS KEEPING IN CLOSEST TOUCH WITH MILLER ON SUBJECT AND
TELEPHONED HIM WHILE WE WERE THERE STOP MILLER SAYS THAT HAMLIN IS
NOW WORKING ON A SCHEME.

1923 MAY 31 PM 3 58

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

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

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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

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

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

VA291 SHEET: 2/100

FOR A JOINT AGENCY BETWEEN BOSTON AND ATLANTA WHICH IS DELAYING
MATTERS WARBURG TOLD MILLER THAT SUCH JOINT AGENCY WAS
IMPRACTICABLE STOP MILLER SAID HE HOPED TO BE IN NEWYORK SOON TO
DISCUSS WITH WARBURG THE WARBURG PLAN AND EXPRESSED THE OPINION
THAT THE TIME TO SUGGEST IT TO THE BOARD HAS NOT YET
ARRIVED STOP IT IS OUR OPINION THAT THIS PLAN PROVIDES THE REAL
SOLUTION FOR THE SITUATION AND IF SOMETHING OF THIS KIND CAN BE
WORKED OUT WE SHOULD WAIVE THE QUESTION OF BEARING THE COST OF
SHIPPING CURRENCY SINCE ATLANTA AND OTHER RESERVE BANKS ARE QUITE

1927 MAY 31 PM 3 58

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

If one of these three symbols appears after the check (number of words) this is a telegram. Otherwise its character is indicated by the symbol appearing after the check.

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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

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

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

023 MAY 31 PM 3 58

VA291 SHEET 3/44

READY TO ASSUME; IT STOP IN VIEW OF THESE DEVELOPMENTS SUGGEST YOU
DO NOT TAKE PROPOSED COURSE OF TELEGRAPHING HUGHES
OR ANY SIMILAR MOVE STOP WE ARE KEEPING IN CLOSE TOUCH WITH
SITUATION AND ARE HOPEFUL THAT IT WILL NOT GET AWAY FROM US
CASE.

DUPLICATE OF TELEPHONED TELEGRAM

FEDERAL RESERVE BANK
OF NEW YORK

TO BE MAILED

CONFIRMATION OF TELEGRAM

WE HAVE TODAY TELEGRAPHED YOU AS FOLLOWS :

Benjamin Strong,
Cragmor Sanatorium
Colorado Springs, Colorado.

May 29 1923

Have just held joint conference Warburg Jay and Mason dealing with your letter and telegram stop Understand Warburg has sent you copy of memorandum dated May 21 & 22 on last two pages of which alternate plans are suggested stop He and Miller are carrying on daily correspondence about this plan which is delaying and possibly tending to check action on original proposal stop In view of foregoing will write you fully Thursday Wednesday a holiday stop Meanwhile if you have any reactions on Warburg's plan please wire them.

CASE

FEDERAL RESERVE BANK
OF NEW YORK

June 11, 1923


Mr. Benjamin Strong,
Cragmor Sanatorium,
Colorado Springs, Colorado

Dear Governor Strong:

Just to add to the "gaiety of nations," you may be interested in perusing the correspondence exchanged between Governor Crissinger of the Federal Reserve Board and the Open Market Investment Committee. I am, therefore, enclosing with this the following:

1. Letter of Governor Crissinger dated May 31, 1923
2. Copy of my reply dated June 11, 1923
3. Copy of Governor Norris' letter bearing date of June 8, 1923
4. Statement showing holdings of Government securities as of May 23, 1923, with subsequent sales aggregating \$53,190,400.

Very truly yours,


J. H. CASE
Deputy Governor

Enclosure (4)

DISTRIBUTION OF SUGAR BILLS HELD BY THE FEDERAL RESERVE BANK OF NEW YORK

AS OF THE CLOSE OF BUSINESS MAY 25, 1923

BILLS DRAWN TO FINANCE THE IMPORTATION OF SUGAR

<u>DRAWER'S NAME</u>	<u>ADDRESS</u>	<u>POINT OF ORIGIN & DESTINATION OF IMPORTATION</u>	<u>SECOND FEDERAL RESERVE DISTRICT</u>		<u>FIRST FEDERAL RESERVE DISTRICT</u>	
			<u>Acceptor</u>	<u>Amount</u>	<u>Acceptor</u>	<u>Amount</u>
Warner Sugar Refining Company	New York	Cuba to U. S.	Northwestern N/B (Payable in New York)	*\$100,000		
E. Atkins & Company	New York	Cuba to U. S.	Intnat'l Accept. Bank	55,000		
Sugar Estate of Oriente	New York	Cuba to U. S.	Guaranty Trust Co.	230,000		
Beatties Isabel Sugar Co.	Manzanilla, Cuba	Cuba to U. S.	Royal Bk of Canada	70,000		
Barahona Company	New York	Cuba & Santo Domingo to U. S.	Intnat'l Accept. Bank	73,000		
Cuban Dominican Sugar Company	New York	Cuba to U. S.	Intnat'l Accept. Bank	50,000		
Warner Sugar Refining Company	New York	Cuba to U. S.	Chase National Bank	250,000		
Philippine National Bank	New York	Philippines to U. S.	Chase National Bank	450,000		
Central "Santa Isabel" S. A.	Santa Clara, Cuba	Cuba to U. S.	Royal Bank of Canada	100,000		
West India Sugar Finance Corp.	New York	Cuba & Santo Domingo to U. S.	Intnat'l Accept. Bank	325,000		
E. Atkins & Company	New York	Cuba to U. S.	Kidder Peabody (Payable in New York)	185,000		
American Sugar Refining Company	New York	Cuba to U. S.	Natl Bank of Commerce	100,000		
Warner Sugar Refining Company	New York	Cuba to U. S.	Intnat'l Accept. Bank	100,000		
Federal Sugar Refining Company	New York	Cuba to U. S.			First Natl Bank Boston	\$100,000
Caledonia Sugar Company	Boston	Cuba to U. S.	Intnat'l Accept. Bank (Payable Boston)	75,000		
Cuban Dominican Sugar Company	New York	Cuba & Santo Domingo to U. S.			First Natl Bank Boston	275,000
E. Atkins & Company	New York	Cuba to U. S.	Guaranty Trust Company	395,000		
Federico Almeida	Santiago, Cuba	Cuba to U. S.	Royal Bank of Canada	254,050		
Caledonia Sugar Company	New York	Cuba to U. S.	Guaranty Trust Company	925,000		
E. Atkins & Company	New York	Cuba to U. S.	Chase National Bank	25,000		
American Sugar Refining Company	New York	Cuba to U. S.	Mechanics & Metals N/B	50,000		
E. Atkins & Company	New York	Cuba to U. S.			Natl Shawmut Bk Boston	330,000
West India Sugar Finance Corp.	New York	Cuba to U. S.	Guaranty Trust Company	215,000		
Comp. Gral de Tabacos de Filipinas	Manila	Manila to U. S.	Intnat'l Banking Corp.	100,000		
Caldonia Sugar Company	Boston	Cuba to U. S.			First Natl Bank Boston	100,000
				\$4,127,050		\$805,000

Second Federal Reserve District - - - - \$4,127,050
 First Federal Reserve District - - - - 805,000
 \$4,932,050

* Credit arranged by the International Acceptance Bank, New York City,

BILLS DRAWN TO FINANCE THE STORAGE OF SUGAR

<u>DRAWER'S NAME</u>	<u>ADDRESS</u>	<u>POINT OF STORAGE</u>	<u>SECOND FEDERAL RESERVE DISTRICT</u>		<u>FIRST FEDERAL RESERVE DISTRICT</u>	
			<u>Acceptor</u>	<u>Amount</u>	<u>Acceptor</u>	<u>Amount</u>
Cuba Cane Sugar Corporation	New York	Cuba	National Bank of Commerce	\$150,000		
Caledonia Sugar Company	New York	Cuba	Guaranty Trust Company	115,000		
Cuban Dominican Sugar Company	New York	Santo Domingo			First National Bank, Boston	\$125,000
Cuba Cane Sugar Company	New York	Cuba	Equitable Trust Company	150,000		
New York & Havana Finance Corp.	New York	Cuba	Bankers Trust Company	100,000		
Sugar Estates of Oriente, Inc.	New York	Cuba & Santo Domingo			First National Bank, Boston	530,000
Cuba Cane Sugar Corporation	New York	Cuba	Guaranty Trust Company	125,000		
Punta Alegre Sugar Co.	Boston	Cuba	New York Trust Company (Payable in Boston)	50,000		
Punta Alegre Sugar Co.	Boston	Cuba	Equitable Trust Company (Payable in Boston)	50,000		
Cuban Dominican Sugar Company	New York	Santo Domingo	French American Banking Corp.	200,000		
				\$940,000		\$655,000

Second Federal Reserve District - - - - \$940,000
 First Federal Reserve District - - - - 655,000
 \$1,595,000

STATEMENT OF HOLDINGS OF GOVERNMENT SECURITIES MAY 23, 1923
 SHOWING QUOTA AND AMOUNT SOLD OF SUGGESTED SALE OF \$50,000,000, ALSO THE
 ALLOTMENT OF BANKERS ACCEPTANCES FROM NEW YORK PORTFOLIO IN REPLACEMENT

	Dec.15, 1923	Mar.15,1924	June 15,1924	Sept.15,1924	Mar.15,1925	June 15,1925	Dec.15,1925	Mar.15,1926	Sept.15,1926	Mar.15,1927	Dec.15,1927	Total	Sales Quota \$50,000,000	Actually Sold	Allotment of Bankers Ac- ceptances from N.Y. Portfolio in Replacement
Boston	-0-	-0-	\$ 1,100,000	\$ 1,002,000	\$ 920,600	-0-	\$ 1,008,100	-0-	\$ 800,000	-0-	-0-	\$ 4,830,700	\$ 3,060,400	\$ 1,800,000	-0-
*New York	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Philadelphia	345,500	2,000	46,000	168,500	8,685,200	194,700	10,607,500	2,525,000	68,400	355,000	253,100	23,250,900	7,422,800	7,422,800	-0-
Cleveland	5,147,000	269,500	6,154,500	2,337,000	300	499,100	557,000	32,500	1,775,800	-0-	29,500	16,802,200	6,990,000	8,646,800	5,000,000 on 6/15/23
*Richmond	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
*Atlanta	-0-	-0-	-0-	-0-	-0-	215,000	-0-	-0-	10,000	-0-	58,300	283,300	283,300	283,300	-0-
Chicago	17,790,000	-0-	-0-	-0-	-0-	16,800	693,100	1,063,400	-0-	25,700	59,000	19,648,000	8,124,400	8,124,400	1,924,400 on 6/15/23
St. Louis	55,500	-0-	1,368,100	1,154,000	1,285,900	850,600	1,245,900	1,018,300	1,555,900	-0-	249,200	8,783,400	3,381,200	3,381,200	931,200
Minneapolis	-0-	6,000	-0-	20,000	487,900	-0-	892,500	238,900	1,069,300	50,000	-0-	2,764,600	1,905,200	1,880,400	-0-
Kansas City	171,500	300	7,000	2,000	11,307,300	3,017,000	11,909,100	1,723,500	2,412,200	188,800	209,800	30,948,500	7,292,000	7,100,000	-0-
*Dallas	6,000,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	6,000,000	2,962,150	6,000,000	5,000,000
San Francisco	-0-	-0-	4,525,000	27,425,000	12,400	-0-	-0-	1,850,000	3,667,000	-0-	-0-	27,479,400	8,431,550	8,551,500	3,181,500
T O T A L	\$29,509,500	\$ 277,800	\$13,200,600	\$22,108,500	\$22,699,600	\$4,793,200	\$26,913,200	\$8,451,600	\$11,358,600	\$619,500	\$ 858,900	\$140,791,000	\$49,853,000	\$53,190,400	\$16,037,100

* Investment holdings of Government securities entirely disposed of.
 ** Sold for delivery June 15, 1923

FEDERAL RESERVE BANK
OF NEW YORK

IN REPLY PLEASE REFER
TO

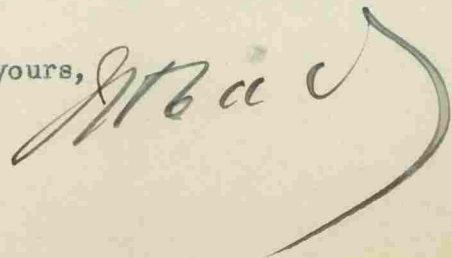
June 15, 1923.

Dear Governor Strong:

I am enclosing copy of a letter received to-day from Governor Harding, as well as a copy of my reply, in which you will note that Boston has withdrawn from its participation in our foreign bank accounts. There were indications that this might happen before Harding went to Boston, and evidently the Cuban controversy has led them to take the bull by the horns and withdraw. You will note from my reply that we have shown no desire to force a participation upon them against their wishes, and immediately undertook to assume their share for our own account.

I had luncheon on Monday with Jackson Reynolds, and took the opportunity of calling to his attention that the First National Bank owed us \$47,000,000, and that we were beginning to look upon them as rather steady boarders. Apparently he took the hint because they have begun to dispose of some of their Treasury notes, and to-day paid down to \$7,000,000.

Very truly yours,



Mr. Benj. Strong,
Cragmor Sanatorium,
Colorado Springs, Colo.

FEDERAL RESERVE BANK
OF NEW YORK

June 18, 1923.

Dear Governor Strong:

Referring to my recent letter enclosing copies of correspondence with Boston regarding their withdrawal from further participation in our foreign bank accounts, I am enclosing copy of a letter just received from Governor Crissinger in this connection. You will note that the Board is of the opinion that the whole matter should be discussed at the next meeting of the Open Market Investment Committee, which will be held in Washington on June 25. (*Changed from 26*)

I telephoned Governor Crissinger to-day that I thought we should be given an opportunity to present our statement of the case for distribution among the governors of the other Federal reserve banks before they gave their views on the question raised by Governor Harding's letter. Governor Crissinger agreed to send a telegram to the other governors to the effect that he had requested us to file a statement on the importance of carrying on these transactions for foreign banks and that he would send a copy of this statement for their consideration before submitting their views to the Board. Our statement is now in the course of preparation, and I will mail you a copy of it to-morrow.

As this whole question is one in which you are vitally interested, I should like to have the benefit of your views, if possible before the meeting of the Open Market Investment Committee.

Faithfully yours,

Benjamin Strong, Esq.,
Cragmor Sanatorium,
Colorado Springs, Colo.

FEDERAL RESERVE BANK
OF NEW YORK

June 19, 1923.

Benj. Strong, Esq.,
C/o Cragmor Sanitorium,
Colorado Springs, Colorado.

Dear Governor Strong:

Referring to my letter of yesterday regarding Boston's withdrawal from participation in our foreign bank accounts, I am enclosing copy of a statement which we have prepared and sent to the governors of the other Federal reserve banks on the importance of our carrying on these transactions for foreign banks. As this whole question will be discussed at the meeting of the Open Market Investment Committee in Washington on June 25, I would be glad if you would wire to me at the bank any special comments which you may care to make.

Faithfully yours,



J. H. CASE,
Deputy Governor.

Enc.

STATEMENT BY FEDERAL RESERVE BANK OF NEW YORK OF
REASONS FOR ENTERING INTO RELATIONS WITH FOREIGN
CENTRAL BANKS AND OFFERING PARTICIPATIONS IN SUCH
ACCOUNTS TO OTHER FEDERAL RESERVE BANKS

June 19, 1923.

Before the war the policies of central banks were materially influenced by the course of the principal foreign exchanges. In order to exercise a stabilizing influence upon foreign exchange, the flow of gold and the volume of credit, a central bank would usually acquire a portfolio of foreign bills on gold countries when the foreign exchanges were at low levels. When the foreign exchanges moved against the central bank it would usually dispose of its holdings of foreign bills and thereby support its exchange and prevent or retard gold exports. Sterling bills were extensively acquired for that purpose and London was the principal centre for such operations. Today this country has assumed an important position in this regard because of its free gold market and in order that this position may be maintained we believe that the Federal reserve banks should continue to promote close and cordial relations with the important foreign central banks.

For the purpose of permitting Federal reserve banks to act along the well established lines indicated above the Federal Reserve Act empowers them to buy bills abroad, and carry on certain other operations in foreign exchange. It was, of course, contemplated that the Federal reserve banks would exercise these powers in normal times when there were free international movements of gold, and consequently the Federal reserve banks have not yet used them except to a very limited extent. However, the purpose for which they were granted is clear and in considering the means by which they should be exercised, the officers and directors of this bank have felt that the most effective means is through the establishment of reciprocal relations with the central banks of issue. It is believed that a more effective control over movements of gold and exchange can be brought about through co-operation between the various central banks and that such a procedure is preferable to one where we would transact business in England, for example, through

private banks, and the Bank of England transact its business here through private banks. This principle has been recognized as most desirable by the Bank of England as well as other central banks of issue which are now establishing close relationships with each other.

Since the war governments have recognized more clearly the important influence which central banks may exercise on gold movements and the credit volume and in stabilizing currency. In recognition of this the Genoa conference proposed a conference of central banks to be convened by the Bank of England which should provide for continued cooperation between the various central banks. The Treasury Department and the Federal Reserve Board approved of Governor Strong's attendance at such a conference if it were held, and presumably in doing so approved the principle of cooperation between central banks, which was the leading topic on the agenda for consideration.

Acting upon this principle we have entered into relations with several of the more important foreign central banks namely:

- Bank of England
- Bank of France
- Bank of Japan
- Bank of Italy
- Swiss National Bank
- Netherlands Bank
- Java Bank
- National Bank of Belgium
- Reichsbank
- Sveriges Riksbank
- Bankovní in Prague

and in many cases have agreed upon the terms which will govern the carrying of accounts, making of investments and transactions in gold. This policy was inaugurated six or seven years ago when the first reciprocal agreement with the Bank of England was arranged.

Owing to the conditions prevailing in international exchange and the suspension of free gold markets, the Federal Reserve Bank of New York has had

practically no occasion as yet to use its foreign correspondents for the transaction of such foreign exchange operations as were contemplated by the framers of the Federal Reserve Act. However, it has been deemed advisable to establish these foreign connections against the time when it may be desirable for us to utilize them. We cannot expect the foreign central banks to perform for us in the future the operations contemplated in the Act, unless we are ready to perform similar transactions for them at times when conditions make such transactions desirable or necessary in this country.

Under present conditions with a free gold market here, several of the foreign central banks have had occasion to conduct in this market the kind of operations which central banks normally transact abroad, and we have undertaken the performance for them in this market of the services which they require. The services thus far performed for these banks consist principally of:

- (a) the investment of their funds in short dated obligations such as bankers bills or Treasury certificates and
- (b) the earmarking or purchase of gold.

If it is in the public interest of this country that the Federal reserve banks should at times conduct in foreign countries the operations which the Act contemplates, in order to exert an influence on the volume of credit in the United States and on gold movements, and if these operations may be most safely and satisfactorily transacted through the central banks of foreign countries, we in the United States cannot expect to enjoy the services of these central banks unless we are ready, when their public interest requires it, to perform similar services for them. Furthermore, as the aim of most, if not all, of the central banks is to create steadier currency and credit conditions in their respective countries, and as such steadier conditions in foreign countries are very much in the interest of American industry, commerce and agriculture, it is therefore to the public interest in this country that we should perform here, for foreign central banks, such proper

operations as they, in endeavoring to steady their conditions, find it desirable or necessary to transact through the Federal reserve banks. Such operations might, of course, be conducted through private banks. But, undoubtedly, many foreign central banks feel much safer and better satisfied to send funds to the United States to be handled by Federal reserve banks than they would if the funds were to be handled by private banks; just as we, in turn would feel much safer and better satisfied, if necessity arose for us to send funds abroad, to entrust them to foreign central banks.

The development of relations between the Federal reserve banks and foreign central banks has been given much consideration during the past seven years by both the Federal Reserve Board and the conferences of governors of Federal reserve banks. The arrangements have, as a rule, been negotiated by the Federal Reserve Bank of New York on behalf of all the Federal reserve banks. But at times, particularly during the war, the arrangements were undertaken at the instance of the State Department or the Treasury Department, and in at least one case, that of the Bank of Japan, by the Federal Reserve Board itself. All of the individual arrangements, as well as the general programme of relationships with foreign central banks, have received the approval of the Federal Reserve Board; and the project already referred to for a conference in London during 1922 of representatives of all important central banks, in which an official of a Federal reserve bank should participate, received the official endorsement of President Harding.

From the outset it has been the view of the Federal Reserve Bank of New York that inasmuch as these arrangements were entered into not primarily as a matter of profit but as an integral part of the functioning of the Federal Reserve System in the public interest, they should be participated in, as far as practicable, by all Federal reserve banks. With this view the records of Governors' conferences show the other Federal reserve banks were in hearty agreement, and the amendment to Section 14-E of the Act, permitting other Federal reserve banks to participate in

such arrangements, was made at the recommendation of the Federal Reserve Board. While the Federal Reserve Bank of New York has offered participation in these arrangements to all other Federal reserve banks any such participation has been entirely voluntary on their part. There has been no intention or desire on the part of the New York bank to urge upon any other reserve bank participation in business which because of the largeness of the risk, the smallness of the commission, or for any other reason such other bank felt unwilling, unjustified or uncomfortable in assuming.

The Federal Reserve Bank of New York has never felt that the profit to be derived from transactions with foreign central banks was a consideration in entering into such relationships. In fact, in the arrangement with the Bank of England and some of the other earlier arrangements it was provided that all transactions, including the guaranteeing of bills purchased, should be undertaken by the respective banks without any charge whatever except for out-of-pocket expenses. The later change to a commission basis for guaranteeing bills and agreeing at any time to purchase Treasury certificates, was due not to the desire of the Federal reserve banks to derive an income from these transactions, but to the disinclination which some of the foreign central banks felt at keeping substantial balances with the Federal reserve banks without interest. The adoption of a scale of commissions accompanied by reduced balances was devised to meet their views.

The risk involved in guaranteeing bills which already have ^wto banking names is obviously almost negligible. But in the opinion of the Federal Reserve Bank of New York, whether or not these transactions are sufficiently productive of income for the risks involved should be given little weight in considering the value of our relationships with foreign central banks. These relationships should be considered now, as they always hitherto have been considered, on the basis of their broader value to the Federal Reserve System and to the public interests which are committed to it.

FEDERAL RESERVE BANK
OF NEW YORK

Open Market Investment Committee

June 19, 1923.

Dear Governor:

Referring to my letter to Governor Crissinger under date of June 11, accompanied by a copy of the letter written by Governor Norris, you may be interested to know that on Friday, the 15th Dr. Miller called me up and stated that the letters had been turned over to him, and that while the Board felt that they had all the power necessary to carry out the program suggested, he indicated that he felt that nothing was to be gained by a series of letter writing. To this statement I very cordially acquiesced.

Yesterday I received a letter from Governor Crissinger, copy of which is enclosed. I am strongly inclined to let the record stand and not have the subject reopened at the conference to be held in Washington on Monday, June 25.

Very cordially yours,



Benjamin Strong, Esq.,
Cragmor Sanatorium,
Colorado Springs, Colorado.

July 3, 1923.

Dear Governor Strong:

At the request of Mr. Case, I am enclosing the minutes of the meetings of the Advisory Committee of Federal Reserve Bank Governors, held in Washington on June 25 and 26. He thought you might be interested in looking them over to see what is transpiring. Mr. Case has been home under the weather for a few days but expects to get around again Thursday. He had an attack of poison ivy, nothing serious, but very painful.

We are all so happy to learn of the splendid strides you are making and are looking forward to having you back with us very soon. All send kindest regards.

Sincerely yours,

Mr. Benjamin Strong,
Cragmor Sanitorium,
Colorado Springs, Colorado.

DNE.LRL

Enc.

FEDERAL RESERVE BANK
OF NEW YORK

July 7, 1923.

Dear Governor:

I was laid up for a few days with a bad attack of ivy poisoning which necessitated my keeping pretty quiet. I asked Dudley Barrows to send you a copy of the minutes of the recent meeting of the open market investment committee, which when in session resolved itself into a meeting of the advisory committee of Governors. The minutes will give you the unanimous views of the six Governors and two Chairmen who attended the meeting, as well as the views of the Board, dealing with the par collection matter. There is to be held on Monday in Chicago a meeting of the standing committee on collections to arrange for the method of handling items endorsed by non-par remitting banks.

You have heard of the Board's action regarding the joint Cuban agency of Boston and Atlanta. I think Mr. Jay either wrote or wired you following our last interview with Mitchell of the City Bank, that he agreed that if this application was granted in this fashion he had no comments or suggestions of any character to make to us. He understood our position thoroughly and said that so far as he was concerned he fully recognized that we had done everything possible to prevent any Federal reserve bank from establishing its own agency in a foreign country, the principle to which he was unalterably opposed.

Governor Harding did not get far in what I regard as an attempt on his part to weaken the interest of the other Federal reserve banks in our arrangement with foreign central banks. After getting the memorandum we sent the other banks, they all wrote to Governor Crissinger stating that they believed these arrangements were desirable and wanted to participate. St. Louis, however, felt that they should receive further particulars regarding the investment, to which suggestion I cordially acquiesced and agreed to send complete information regarding

July 7, 1923.

the investments made for foreign banks to all of the participating banks. I enclose a copy of my letter to the other banks in this regard, and also a copy of the report of the open market investment committee as rendered on June 25. You will observe that the total remaining investment in government securities is but \$50 millions in the System, distributed among eight banks, four banks, namely, New York, Richmond, Atlanta and Dallas, being entirely out of any government paper whatever.

I am glad to hear that you are continuing to do well and increasing your sun treatment. I certainly hope everything will continue to go well with you. Our directors have extended Harrison's vacation to September first with full pay, but the Federal Reserve Board approved full pay to July 15 only, a period of six months, and half pay from that point on. It seems a pity after all he has done for the System that the Board did not take a broader view. Sailer started off on his European trip to-day to be gone for five weeks, so the senior officers have narrowed down to Mr. Jay, Mr. Kenzel and myself.

You have doubtless observed the increase in the London bank rate from 3 to 4 per cent. Things are very comfortable here in our market. There is always a little window dressing toward the end of June and the end of December. We had a bit of that to deal with a week or so ago. Fortunately, the Treasury was buying substantial amounts of government securities for retirement, which enabled us to pick up the floating supply and keep the government security market fairly stable.

Very cordially yours,



Mr. Benj. Strong,
Cragmor Sanatorium,
Colorado Springs, Colorado.

JHC.MM
encs.

FEDERAL RESERVE BANK
OF NEW YORK

July 11, 1923.

Dear Governor:

It occurs to me that you may be interested in looking over a comparison of the Government security holdings of the Federal Reserve banks as at the close of business July 3, 1923, with various other periods during the past year.

You will note that the free investments in Government securities are down to \$53,000,000., Miscellaneous holdings, covering various funds, are \$24,000,000., and Sales Contracts \$16,000,000., the aggregate of the three amounting to but \$94,000,000.

The last sheet makes a comparison of the items comprising the earning assets of the System, July 3, 1923 and April 4, 1923. The interesting comparison to be made there is that there has been a reduction of \$204,000,000. in holdings of acceptances and Government securities, and an increase in direct borrowings of \$234,000,000., so that while the total earning assets in the System are up to \$1,223,000,000., 75 per cent or more is in the form of direct loans to member banks. This, I think, places us in a much better position if it should seem desirable this Autumn to recommend an increase in our discount rate.

Glad to hear of your continued improvement.

Very truly yours,



Benjamin Strong, Esq.,
Cragmor Sanatorium,
Colorado Springs. Colorado.

COMPARISON OF THE GOVERNMENT SECURITY HOLDINGS
BY MATURITIES OF ALL RESERVE BANKS COMBINED AS OF
JUNE 14, 1922, APRIL 4, MAY 16, JUNE 27 AND JULY 3, 1923

	* Holdings on <u>June 14, 1922</u>	** Holdings on <u>April 4, 1923</u>	*** Holdings on <u>May 16, 1923</u>	Holdings on <u>June 27, 1923</u>	Holdings on <u>July 3, 1923</u>
Certificates and Victory Notes matured 1922	\$323,513,000	-0-	-0-	-0-	-0-
Victory Notes, 5/20/23	-0-	17,350	17,350	-0-	-0-
March 15, 1923	46,385,500	-0-	-0-	-0-	-0-
June 15, 1923	-0-	-0-	1,535,000	-0-	-0-
Sept. 15, 1923	-0-	35,953,500	230,000	26,000	127,000
Dec. 15, 1923	-0-	34,011,000	31,909,500	-0-	-0-
March 15, 1924	-0-	2,062,500	1,967,000	321,500	346,500
Treasury Notes	<u>120,599,600</u>	<u>117,550,500</u>	<u>110,624,600</u>	<u>65,883,100</u>	<u>52,823,100</u>
T O T A L	\$490,498,100	\$189,594,850	\$146,283,450	\$66,230,600	\$53,296,600
Misc. Gov't Bonds	45,792,000	39,082,910	31,979,060	24,859,580	24,391,630
Pittman Act Certificates	75,500,000	-0-	-0-	-0-	-0-
Sales Contracts	<u>17,984,750</u>	<u>10,471,350</u>	<u>10,626,800</u>	<u>42,949,950</u>	<u>16,976,630</u>
AGGREGATE	<u>\$629,774,850</u>	<u>\$239,149,110</u>	<u>\$188,889,310</u>	<u>\$134,040,130</u>	<u>\$94,664,860</u>

* Peak of Government security holdings
** Date when new Committee was organized
*** Figures used at meeting held at Washington, May 23, 1923

GOVERNMENT SECURITY HOLDINGS OF FEDERAL RESERVE BANKS (EXCLUSIVE OF SALES CONTRACTS)
AS REPORTED TO THE OPEN MARKET INVESTMENT COMMITTEE
AT THE CLOSE OF BUSINESS JULY 3, 1923

	Boston	New York	Philadelphia	Cleveland	Richmond	Atlanta	Chicago	St. Louis	Minneapolis	Kansas City	Dallas	San Francisco	Total
Sept. 15, 1923 - 4½%	-0-	-0-	-0-	\$ 127,000	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	\$ 127,000
Dec. 15, 1923 - 4%	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
March 15, 1924 - 4½%	-0-	-0-	-0-	321,500	-0-	-0-	-0-	-0-	-0-	25,000	-0-	-0-	346,500
<u>Treasury Notes</u>													
June 15, 1924 - 5½%	1,100,000	-0-	-0-	6,354,500	-0-	-0-	-0-	-0-	6,000	7,000	-0-	4,525,000	11,992,500
Sept. 15, 1924 - 5½%	1,002,000	-0-	-0-	2,337,000	-0-	-0-	-0-	-0-	10,000	2,000	-0-	4,660,400	8,011,400
March 15, 1925 - 4¾%	920,600	-0-	3,685,200	-0-	-0-	-0-	-0-	82,300	506,000	5,792,300	-0-	-0-	10,986,400
Dec. 15, 1925 - 4 3/8%	8,100	-0-	10,607,500	-0-	-0-	-0-	693,100	-0-	-0-	-0-	-0-	-0-	11,308,700
June 15, 1925 - 4½%	-0-	-0-	-0-	-0-	-0-	-0-	16,800	-0-	-0-	3,017,000	-0-	-0-	3,033,800 #
March 15, 1926 - 4¾%	-0-	-0-	2,525,000	-0-	-0-	-0-	1,063,400	1,018,300	238,900	218,500	-0-	-0-	5,064,100
Sept. 15, 1926 - 4½%	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
March 15, 1927 - 4¾%	-0-	-0-	-0-	343,200	-0-	-0-	-0-	-0-	-0-	1,809,200	-0-	-0-	2,152,400
Dec. 15, 1927 - 4½%	-0-	-0-	-0-	-0-	-0-	-0-	59,000	-0-	-0-	214,800	-0-	-0-	273,800
T O T A L	\$3,030,700	-0-	\$16,817,700	\$9,483,200	-0-	-0-	\$1,832,300	\$1,100,600	\$760,900	\$11,085,800	-0-	\$9,185,400	\$53,296,600
Miscellaneous	529,000	1,148,750	549,300	918,400	1,340,900	218,430	4,425,600	6,150,000	6,549,900	781,850	1,779,500	-0-	24,391,630
Grand Total	\$3,559,700	\$1,148,750	\$17,367,000	\$10,401,600	\$1,340,900	\$218,430	\$6,257,900	\$7,250,600	\$7,310,800	\$11,867,650	\$1,779,500	\$9,185,400	\$77,688,230

EARNING ASSETS OF FEDERAL RESERVE BANKS AT CLOSE OF BUSINESS JULY 3, 1923
AS COMPARED WITH HOLDINGS AT THE CLOSE OF BUSINESS APRIL 4, 1923

		<u>Boston</u>	<u>New York</u>	<u>Philadelphia</u>	<u>Cleveland</u>	<u>Richmond</u>	<u>Atlanta</u>	<u>Chicago</u>	<u>St. Louis</u>	<u>Minneapolis</u>	<u>Kansas City</u>	<u>Dallas</u>	<u>San Francisco</u>	<u>Total</u>
Bills discounted	- April 4	\$47,354	\$210,603	\$60,551	\$38,731	\$52,063	\$20,665	\$112,202	\$28,028	\$20,466	\$28,157	\$19,533	\$56,918	\$ 695,271
" "	July 3	55,207	259,723	77,983	86,535	65,676	44,125	91,023	55,779	29,545	53,405	33,935	76,928	929,864
Net change		7,853+	49,120+	17,432+	47,804+	13,613+	23,460+	21,179-	27,751+	9,079+	25,248+	14,402+	20,010+	234,593+
Acceptances Purchased	- April 4	17,065	27,462	28,169	51,506	1,026	26,117	32,696	12,455	2,275	225	20,130	40,753	259,879
" "	July 3	19,166	40,101	19,310	25,103	2,253	8,144	44,144	5,979	-0-	26	12,071	22,615	198,912
Net change		2,101+	12,639+	8,859-	26,403-	1,227+	17,973-	11,448+	6,476-	2,275-	199-	8,059-	18,138-	60,967-
Government Securities	- April 4	10,137	18,826	25,417	21,346	1,341	2,542	43,508	23,870	15,135	37,906	11,504	27,617	239,149
" "	July 3	3,832	4,827	17,381	10,402	1,341	220	11,217	7,251.	13,377	13,888	1,779	9,186	94,701
Net change		6,305-	13,999-	8,036-	10,944-	-0-	2,322-	32,291-	16,619-	1,758-	24,018-	9,725-	18,431-	144,448-
Total Earning Assets	- April 4	74,556	256,891	114,137	111,583	54,430	49,324	188,406	64,353	37,876	66,288	51,167	125,288	1,194,299
" " "	July 3	78,205	304,651	114,674	122,040	69,270	52,489	146,384	69,009	42,922	67,319	47,785	108,729	1,223,477
Net change		3,649+	47,760+	537+	10,457+	14,840+	3,165+	42,022-	4,656+	5,046+	1,031+	3,382-	16,559-	29,178+

FEDERAL RESERVE BANK
OF NEW YORK

July 23, 1923.

Dear Governor:

We are running into a rather dull mid-summer period when a good many of our important bankers are away. While it is a fair statement that matters here at the bank are fairly quiet, there is, of course, a good deal of grist continually going through the mill which takes quite a bit of time and attention.

I am glad to observe from your notes of July 9 and 11 that you are continuing to improve and that your appetite is good, and also that you are enjoying the gorgeous weather.

With regard to the operations of the Open Market Investment Committee, the Committee and the Federal Reserve Board are mutually agreed that our portfolios are low enough, and that no further pressure should be exerted towards disposing of the remaining small amount of Government securities held. I fully agree with your views that in the event of material change in market conditions we should not hesitate to shift our position and buy again when evidence of pressure is too strong.

I had a very pleasant all day visit last Friday with Mr. Garrard B. Winston, the new Assistant Secretary of the Treasury. Mr. Winston is a lawyer, and comes from Chicago. He is a bully chap, and I am sure we shall have no difficulty in continuing the very good relationship that exists between this bank and the Treasury. Winston impresses me as having a good mind and plenty of background, he is well informed and I am sure will always be ready to listen to our views on the Treasury program.

CUBA The Federal Reserve Board has gone ahead and issued their regulations on the subject of Cuban agencies. I am enclosing with this copy marked X-3779 which is in the form adopted by the Board at the meeting on June 27; this I procured from

Paul Warburg who got it from Mr. Rue, of the Advisory Council, a copy having been sent Mr. Rue to obtain the Council's views.

I also enclose copy of a letter sent me by Mr. Mitchell of the City Bank, under date of July 17, accompanied by a copy of a cablegram from his man, Durrell, dated July 16, and a copy of Mitchell's telegram to Wellborn, of Atlanta, dated July 17. Mr. Mitchell informed me at that time that he was sending copies of this correspondence to Governor Crissinger, and in the light of subsequent events I am rather glad that he dealt with Crissinger. Mr. Mitchell has furnished me with a copy of Governor Crissinger's reply, under date of July 19, which is also enclosed. I took the liberty of talking with Mr. Adelson, of Atlanta, over the telephone about the importance of their Directors insisting upon an independent banking office rather than having the office established either with the First of Boston or the National City of New York. Adelson said he was strong for this himself, but he did not know just what the views of his Board would be. Mitchell is perfectly satisfied that we have done everything possible in his behalf, and I have been scrupulously careful to check up on this to make sure that he did not think that we were leaving any stone unturned in looking after his interests. * *See foot note*

RELATIONS OF FEDERAL RESERVE BANKS WITH FOREIGN BANKS OF ISSUE.

During a recent talk which Mr. Jay and I had with Mr. Mitchell on the subject of Cuba, Mitchell referred to the fact that he had that day turned over some \$5,000,000. to us for the Czecho Slovakian bank and expressed his disapproval of our competition with member banks. I told him that I felt sure that he had an erroneous impression of what we were doing in this regard, and that we would like to talk this matter out with him at a little later date. Last Thursday he came over here at 11 o'clock and stayed until 12:30 when we talked this matter over, and the benefits accruing to the National City Bank from its membership in the System. Mr. Jay and I had prepared a very careful resume of the relations between the Federal

Reserve bank and the Foreign Banks of issue and some interesting information as to the benefits the City Bank derives from its membership. Instead of sending him the letter we discussed it in an informal way with Mitchell and let him take it away with him. He seemed pretty well satisfied except on one point, and that was - in buying bankers' bills, at say, 4% to 4 1/8% and then for 1/4% of 1% commission guaranteeing payment and agreeing to melt them down at any time really amounted to buying them at 3 3/4% on a demand deposit. In view of what we have subsequently learned - that the City Bank buying bills at 4 1/8% for the Foreign Banks correspondents indorses them for 1/8 of 1% and holding them subject to their correspondents future orders, they are giving the Foreign Banks as good terms as the Federal Reserve banks. I shall be glad to have you look over the letter furnished Mitchell and have your reaction on it.

Crissinger appears to have stirred up a good deal of adverse comment. Among banking organizations generally the feeling is growing that too much politics is being injected in the affairs of the Federal Reserve System. It certainly is a great pity that this is all too true.

Faithfully yours,

JW Strong

Benjamin Strong, Esq.,
Cragmor Sanatorium,
Colorado Springs, Colorado.

By 7/23
* I received letter from Mitchell the morning dated 7/23 & enclosed copy also copy of my reply *JW.*

FEDERAL RESERVE BANK
OF NEW YORK

August 6, 1923.

Dear Governor:

Your night letter of the 5th addressed to Mr. Jay dealing with the so-called Claiborne-Adams check collection plan was received this morning. Mr. Jay is away for the day undertaking to finish up some work which has accumulated, but as I attended the conference of the Advisory Committee of Governors with the Federal Reserve Board last week I agreed with him on Friday to write you a little resume of what has taken place.

During the week beginning July 22 Mr. Claiborne spent several days in Washington with the Federal Reserve Board discussing a program that would tend to bring into a closer relationship his committee and the management of the Federal Reserve System on the subject of check collection. During the course of his talk with Messrs. Crissinger and James they apparently developed the happy thought of having the Federal Reserve banks buy a certain amount of float, that is by giving immediate credit and availability for all intra-district checks. Claiborne naturally took to this like a trout to a fly, and then had the impudence to suggest that all banks be allowed to charge exchange on inter-district items. Messrs. Crissinger and James apparently thought so well of his suggestion that they sent to the Governor of each Federal Reserve bank a suggested revision of Regulation J embodying these ideas (See Exhibit A). The governors, however, were not advised of the Board's discussion with Claiborne, or given any idea as to where the plan originated.

In talking with Governor Crissinger over the telephone during that period I inadvertently learned that Claiborne was in Washington and was to appear before the Board that day, whereupon I suggested to Crissinger that if the Board wanted to

Aug. 6, 1923.

obtain the views of the members of the Advisory Committee of Governors on any plan that Claiborne proposed our services were at its disposal. . . . Meanwhile, at the suggestion of Messrs. Crissinger and James, Claiborne came to New York to discuss the matter with me, the Board in the meantime having called a meeting of the Advisory Committee to be held in Washington on Wednesday, August 1. Claiborne reached here on Friday and I gave up most of the day to him. Monday he called again, when Jay and I extended him every courtesy, - giving him practically two days of our time, and called in a few of our bankers to enable him to discuss his plan with them. No one here could see any merit in it because it was simply a rethrashing of old straw, the proposition, as you know, having been up time and again in the early days of the system and disposed of as being impractical. The Advisory Committee met with the Board last Wednesday, and after the Board had given Messrs. Claiborne and Adams all morning to discuss their proposal they requested the Advisory Committee to submit a statement of its views in writing. A copy of the report which we made is enclosed (Exhibit B), to this is appended a statement for the press given out by the Board Friday, August 3rd, and a complete copy of the check clearing collection plan submitted by Claiborne. From our report you will observe that the committee recommended to the Board that it promptly announce its rejection of the proposed plan. This, however, the Board failed to do, contenting itself with adopting our recommendation that they continue to postpone the effective date of Regulation J (now suspended) and that the banks discontinue the use of agents (other than banks) for the purpose of making collections at par on non-par remitting banks. The Board then referred to the Federal Advisory Council for consideration and report at its next meeting in September, Claiborne's proposal and the Committee's report thereon. This, of course, defers the ruling of the Board for some six weeks, giving Claiborne and his committee this period in which to do a good deal of campaigning. It is perfectly clear that on its

Aug. 6, 1923.

face the plan will appeal to a group of unthoughtful bankers, the same group that has always clamored for interest on their reserve balances. In effect, the Claiborne plan enables the country member banks to practically do away with the carrying of any real reserve whatever, and materially reduces the actual reserves of city banks. Jay and I will confer tomorrow about the program set out in your telegram. Personally I doubt the wisdom of a questionnaire to our banks, it opens up the matter too broadly, I would much prefer to see information assembled by Federal Reserve banks and furnished to McFadden Committee. Statisticians of the Federal Reserve Board furnished it with figures estimating that about 75% of the \$600,000,000. of deferred items consist of intra-district checks. But this proposal of Claiborne's, if adopted, would entirely upset present banking arrangements,- the large commercial concerns could merely open twelve accounts, one in each district, and their deposits would then consist solely of intra-district checks. This would also make it possible for member banks in one district to send checks payable in another Federal Reserve district to some correspondent bank in that district so that in practice the major part of all check transactions might ultimately be of an intra-district character. One thing is certain, if the plan were adopted it would certainly sew up the system with a permanent investment of anywhere from \$400,000,000. to \$600,000,000. in "frozen assets."

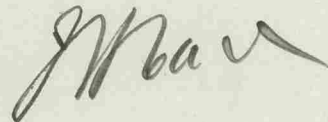
Harding has written Crissinger raising the question as to the legality of the Claiborne-Adams scheme. We have a somewhat different view from Harding as to the wisdom of making a fight on the ground of legality. I am enclosing our correspondence with him dated August 2 - 5 inclusive.

From the foregoing I think you will agree that every consideration has been shown Claiborne and his committee, and that no final decision will be reached until the fullest possible examination of his plan is completed. I believe the plan is wholly impossible, and that the data assembled will be conclusive and

Aug. 6, 1923.

and convincing to the bankers, the public and I hope to Claiborne's committee. This occasion is being used to make every effort to end the par check collection controversy, with the view of bringing about an enlarged membership of desirable state banks.

Cordially yours,



Benjamin Strong, Esq.,
Cragmor Sanatorium,
Colorado Springs, Colorado.

Case

**FEDERAL RESERVE BANK
OF NEW YORK**

September 28, 1923.

Dear Governor Strong:

Mr. Jay has been writing you from time to time during my absence on vacation keeping you informed on current events. He is today in Washington discussing with the Board the future program for dealing with the par clearance matter, and the subject of the Federal Reserve banks handling non cash items. Mr. Harrison, as you know, has been domiciled there for the last few weeks preparing material for the Board for their use in appearing before the Congressional committee next week. Kenzel is away on vacation, so Mr. Sailer and I are kept pretty busy. Shepard Morgan sails tomorrow on his one year's leave of absence. I have just returned from a most enjoyable luncheon tended him by the officers of the bank and a few outside friends, including Arthur Anderson and Guy Emerson, to wish him God-speed.

BANKERS' CONVENTION, ATLANTIC CITY.

I went down to Atlantic City Wednesday afternoon to spend twenty-four hours at this convention, particularly for the purpose of sitting in and listening to the discussions at the open forum dealing with the merits and defects of the Federal Reserve System. Mr. Platt, of the Board, also came on from Washington. We were all delighted and most favorably impressed with the general atmosphere and feeling of confidence that seemed to prevail with regard to the management and operation of the System. I am quite confident that the tide has definitely turned in our favor, and that the bankers of the country begin to appreciate that this is their "party" and if they don't watch their step there is great danger of adverse legislation which may make the System less effective. I am enclosing with this just a few

brief comments which appeared today regarding the convention.

TREASURY DEPARTMENT

Garrard Winston, the new Assistant Secretary of the Treasury is "carrying on" most effectively, and seems to have the situation well in hand. He has a good mind and appears to be perfectly reasonable to deal with.

The September 15 issue of Treasury certificates was a great success although both Mr. Mellon and Mr. Winston seemed to feel that our recommendation of 4 1/4% for six months was about 1/4% too high. As we have subsequently purchased, on their order for various Government agencies, about \$40,000,000. of these same certificates at par and interest, I think their original opinion has been modified.

I had an exchange of letters with Gilbert during August with regard to the outstanding 4% circulation bonds of 1925. My letter of August 6, and his reply of August 11 are enclosed for your information.

FOREIGN

Jay Crane spoke to me this morning about a conversation which he had with Mr. O'Hara a day or two ago regarding the Nederlandsch Indische Handelsbank, and has given me a confidential memorandum of his talk, as it deals with the subject of the Java Bank and the retirement of Mr. Zeilingsa, its president. I am enclosing it herewith.

TAX ON FEDERAL RESERVE NOTES

At the last Governors Conference there was an animated discussion about substituting an interest charge on the uncovered portion of Federal Reserve notes, instead of paying the Government the balance of our net earnings as a franchise tax. Governor Norris and I were appointed a committee to consider this and report back to the Governors Conference. Knowing your great interest in this subject, I am handing you all the correspondence that has passed between Governor Norris and me. Mr. Jay, Mr. Harrison and Mr. Mason all approve of the suggested change.

[see
Crane
file]

9/28/23

LETTER TO BOARD FOR MCFADDEN'S COMMITTEE.

A short time ago the Federal Reserve Board wrote the various Federal Reserve bank officials calling their attention to the hearing before McFadden's Committee on October 2, and requested these officials to express their individual views on the questions raised. After considering the matter carefully I sent off my reply under date of September 22, and enclose a copy herewith for your use. *I also Enclose copy of reply sent by G. H. Harding.*

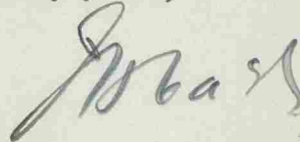
Mr. Jay has kept me fully informed regarding correspondence he has had with you on the subject of your health. I am very glad to know that your throat trouble is practically healed, and that you anticipate returning to the bank about November 1. I hope you will return prepared to take it easy during the winter months and not run the risk of any further breakdown. I think you will find matters in the bank in good shape, and the organization functioning smoothly. Things in the Government Bond Department have quieted down somewhat, so that we have a little surplus help there which we are trying to place in other parts of the bank.

I am not sure whether you have had sent you copies of the recent "Recommendations of the Federal Advisory Council to the Federal Reserve Board" of September 17, so I am including a copy with this.

Looking forward to seeing you back in New York during the next few weeks,

I am,

Faithfully yours,



Benjamin Strong, Esq.,
C/o Mrs. H. P. Davison,
Broadmoor,
Colorado Springs, Colorado.

DOW, JONES & CO.

THE WALL STREET JOURNAL NEWS BULLETINS
ELECTRIC PAGE NEWS TICKER
4 BROAD ST., NEW YORK Telephone One Broad

Friday, September 28, 1923

No. 65

IN AND OUT OF THE BANKS

What promised to be a lively session of the A. B. A.'s open forum for discussion of merits and defects of the Federal Reserve system apparently turned out to be a rather tame affair. Initial praise given the system in the earlier stage of the convention, as well as the report of the Economic Policy Commission, seem to have taken the wind out of the opponents' sails. At the open discussion there was an array of defenders with impressive arguments to show the great service the system had performed during its nine years of operation. The country banker who went to Atlantic City to air his grievance of lost exchange charges must have received cold comfort from his surroundings.

Local bankers praised the report of the Economic Policy Commission advocating measures to prevent deterioration of the Federal Reserve Board. They thought it was the most fearless exposition yet presented of the dangerous encroachment of politics on the efficiency of the Federal Reserve system. Criticism as to the manner of appointment to the Reserve Board, especially the elimination of banking qualifications and the subordination of the board to the influence of the farming element, was something that New York bankers had felt for some time. Whether the views expressed by the American Bankers Association will have any weight in Washington is another matter. It is considered doubtful.

Bankers approve of the suggestion that the Secretary of the Treasury should not be a member of the Federal Reserve Board. It has been obvious that his duties in the Treasury Department prevent him from giving the proper attention to the affairs of the Reserve Board. It is suggested that his place should be taken by the Under-Secretary of the Treasury, and that the governor should be chairman of the board.

Presentation of prizes to the winners in the public and parochial schools in the prize essay competition this year will be held in the hall of the Chamber of Commerce, October 2, at 11 a. m. The subject of the essay is "The Practice of Thrift; a Test of Character and an Essential Factor in the Development of the Nation." Addresses will be made by President Irving T. Bush and others.

James P. Warburg, vice president of the International Acceptance Bank, has returned after three months abroad. He visited the various banks of England and on the Continent where the International Acceptance Bank has its own stockholding correspondents, and looked into business and financial conditions.

WILL NASSAU.

AMERICAN BANKERS ASSOCIATION CONVENTION

1. Favorable criticism. Craig B. Hazlewood, vice-president of the Union Trust Company of Chicago, defended the System as the greatest central banking achievement in history, and outlined under five heads what had been accomplished. (W.S.J., p.1)
2. Federal Reserve System. A resolution reaffirming confidence in the Federal Reserve System and pledging aid in repelling the attacks of those who seek to destroy its effectiveness was adopted by the national bank division. (J. of C., p.8.)
3. Par clearance. Objections by the country bankers to the Federal Reserve Board's construction of the law as to par clearances were voiced by George H. Bell of the Planters Bank and Trust Company, Nashville, Arkansas, who declared that the Board has to the extent of its power "energetically inaugurated a par clearance system with no regard whatever for the individual opinion of the non-member banks affected." (W.S.J., p.1.)
4. Praise for Federal Reserve System. Although there were a number of mild criticisms against details of operation of the system, the apparently overwhelmingly favorable sentiment of the convention was expressed by Howard Shepherd who declared that the Federal Reserve Act itself "plays along with the Constitution of the United States as one of the institutions that the rank and file of this country should stand by." The convention arose en masse and cheered. (J. of C., p.2)

FEDERAL RESERVE SYSTEM

5. Discount rate. The American Banker's Association calls attention to the notable lack of pyramiding of credit during last year. Overflowing bank reserves do not necessarily bring over-exploited credit. The latter depends upon the character of the business situation itself which explains why the Reserve banks rightly base changes in the bank rate not on theory or general principles, but on visible signs of expansion or reduction in the actual use of credit. (Times, Ed., p.6.)
6. Federal Reserve Board. It has been indicated that Secretary Mellon is in sympathy with most of the recommendations of the American Bankers Association relative to the form of re-organization of the Federal Reserve Board. (N.Y. Com., p.1.)

UNITED STATES

7. Agricultural bloc. Doubt of the further continuance of the coalition in Congress known as the "farm bloc" has been expressed by Senator Glass. The Senator declared that Secretary Wallace's criticism of the Federal Reserve Board's "deflation policy of 1920" was entirely without justification and that he probably would issue a reply. (Fin. Amer., p.1.)
8. Agriculture. Plans for relief of the farmers, including the revival of the United States Grain Corporation in order to stabilize wheat prices, a reduction of freight rates on export wheat and flour and a special session of Congress to enact legislation to aid the farmer, were urged upon President Coolidge yesterday by a delegation of bankers, farmers and members of Congress in the Ninth Federal Reserve District. (Times, p.1.)
9. Federal trade commission. A general movement among trade associations to join in a demand for definite amendments to the Federal trade commission act "to obviate the manifest injustice which has characterized its application" was announced at the convention of the American Specialty Manufacturers' Association. (J. of C., p.2)

FOREIGN

10. Germany. Dictatorial power has been vested in the Minister of National Defense, Dr. Gessler, and a state of siege over all Germany has been proclaimed by President Ebert as an emergency measure in view of the appointment in Bavaria of a military dictator, Dr. von Kahr. The Bavarian Government, however, has given assurances of loyalty to the Berlin Government. (Times, p.1.)
11. Extension of a loan to Germany by the Allied nations is regarded at the Treasury as the first practical step toward that country's rehabilitation to follow an adjustment of the reparations question. (J. of C., p.1.)

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OCT 17 1923
FEDERAL RESERVE

FEDERAL RESERVE BANK
OF NEW YORK

October 9, 1923.

File 607

Dear Governor:

Acknowledging your letter of October 2, I have had Mr. Sailer take up with Mr. Rounds the question you raised of having Rounds work up a memorandum as to a good accounting practice that we may make use of in applying the lease cancellation fund, as, if and when realized, upon the cost of our new building. Mr. Rounds has prepared such a memorandum, which I am handing you herewith. You will observe that Rounds goes back to his original idea of "replacement valuation," which is entirely sound and was approved, in principle, by the Federal Reserve Board some two or three years ago. He thinks that possibly the best way would be to cover into the Profit and Loss account any profits on the Equitable Building leases, and then have our charges for depreciation synchronize with such credits.

We had an all day visit from Governor Crissinger yesterday. It gave Mr. Jay and me an opportunity to discuss many current questions with him. At noon we had a number of bankers in to luncheon, the conversation being given up pretty much to the subject of "branch banking." It seemed to be the general opinion of all present that we should encourage branch banks within city limits, and discourage the idea of branch banking on a state wide basis. During the afternoon we had representatives from seven or eight of the discount houses in to meet Governor Crissinger, during the course of which they enlightened him a good bit as to the need of having the Federal Reserve banks ready and willing at all times to render support to the market. Later in the afternoon I had all the Controllers and Managers meet Governor Crissinger for a few moments in your office; the Governor quite warmed up to this--was most cordial--and I am sure the officers were very appreciative of the opportunity to meet him. He seemed to think he had spent a very profitable day with us, and returned to Washington last night.

I presume that we may hear of your landing in this neck of the woods any time during the course of the next two weeks. If you are not careful, it seems to me as though you may presently be tipping the scales at 200. Look out!

Very cordially yours,

J. H. C. [Signature]

Benjamin Strong, Esq.,
C/o Mrs. H. P. Davison,
Broadmoor, Colorado Springs,
Colorado.