

A

FEDERAL RESERVE BANK
OF NEW YORK

*Submitted to Com
Jan 4/24
JTB*

January 3, 1924.

Monthly Report to Open Market Investment Committee for December 1923.

Dear Governor

Pursuant to the procedure outlined in our initial report of November 30 to the Open Market Investment Committee on the foreign business undertaken for account of the Federal Reserve System, I enclose a brief statement which has been prepared for the members of the Committee covering the foreign bank accounts for the month of December. The important developments during the month were:

FEDERAL RESERVE BANK OF NEW YORK
RECEIVED
JAN 10 1924

(1) A reduction of \$3,000,000 in the bills held for the Bank of Japan, that amount having been discounted for them on the 18th and the proceeds transferred to the Yokohama Specie Bank. This is the first important change in this account for over a year. As a result of the recent disaster in Japan, we expect to see gradual withdrawals as the money is needed for reconstruction.

(2) Following the rapid reduction in the amount of bills held for de Nederlandsche Bank in November (from \$20,000,000 to \$6,000,000), we were asked to discount the balance of their portfolio, \$6,000,000, on December 1. Since then their portfolio has not been replenished and we were holding no bills purchased for them at the end of 1923 as compared with \$22,000,000 at the end of 1922.

(3) During December, the bill holdings for the Swiss National Bank increased from \$908,000 to \$3,995,000. This \$3,000,000 increase came from the investment in bills of the proceeds of \$2,000,000 Treasury certificates held for them which matured on December 15 and the receipt of an additional \$1,000,000 from one of their other New York correspondents.

(4) The proceeds of the Treasury certificates held for the Bank of England and the Bank of France which matured on December 15 (\$240,000 for each bank) were switched into bankers bills in accordance with their instructions.

January 3, 1924.

The present percentages of participation of the Federal reserve banks in these foreign accounts is based upon capital and surplus as of last January and these percentages are being brought up to date as of the first of this year. This will entail only minor changes in the various percentages.

The Federal Reserve Bank of Boston withdrew from participation in these foreign accounts during last year and its share (7.5%) has been assumed by this bank. We will be glad to continue on that basis for the ensuing year or it would be entirely agreeable to us to divide up Boston's share among the other banks assuming, of course, that they would desire to increase their participations. We would like to learn the views of the Committee on this question, and I would appreciate it if you would drop me a line at your convenience.

Very truly yours,

J. H. CASE,
Deputy Governor.

BANKERS ACCEPTANCES

	<u>Bank of Japan</u>	<u>De Nederland- sche Bank</u>	<u>De Javasche Bank</u>	<u>Swiss Natl. Bank</u>	<u>Bankovni urad Ministerstva Financi</u>	<u>Bank of England</u>	<u>Bank of France</u>	<u>Totals</u>
Close of business Nov.30,1923.								
On Hand	\$ 9,548,873.86	\$6,174,380.98	\$7,898,849.58	\$ 908,658.49	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ 24,530,762.91
Purchased	1,963,393.42	- 0 -	2,862,154.91	3,541,841.29	- 0 -	245,115.86	245,089.17	8,857,594.65
Matured or dis- counted	4,969,150.04	6,174,380.98	2,796,212.81	454,826.49	- 0 -	- 0 -	- 0 -	14,394,570.32
On Hand Dec.31,1923.	6,543,117.24	- 0 -	7,964,791.68	3,995,673.29	- 0 -	245,115.86	245,089.17	18,993,787.24

TREASURY CERTIFICATES

	<u>Bank of Japan</u>	<u>Swiss N. B.</u>	<u>Bank of England</u>	<u>Bank of France</u>	<u>Totals</u>
Close of business Nov.30,1923.					
On Hand	\$ 9,508,000.00	\$ 1,975,500.00	\$ 238,000.00	\$ 238,000.00	\$ 11,959,500.00
Purchased	6,508,500.00	- 0 -	- 0 -	- 0 -	6,508,500.00
Matured	6,492,000.00	1,975,500.00	238,000.00	238,000.00	8,943,500.00
On Hand Dec.31,1923.	9,524,500.00	- 0 -	- 0 -	- 0 -	9,524,500.00

FREE BALANCES

	<u>Bk.of Japan</u>	<u>Nederlandsche Bk.</u>	<u>Javasche Bk.</u>	<u>Swiss N.B.</u>	<u>Bankovni</u>	<u>Bk. of England</u>	<u>Bk.of France</u>	<u>N.B.of Belgium</u>	<u>Totals</u>
Close 11/30/23.	\$1,001,533.60	\$ 260,972.63	\$ 249,108.69	\$ 53,594.30	\$101,171.12	\$ 296.62	\$ 296.62	\$ 3,666.64	\$ 1,670,640.22
Close 12/31/23.	1,000,157.15	260,972.63	249,962.07	11,205.55	101,171.12	791.28	815.62	3,666.64	1,628,742.06

TOTAL COMMISSIONS EARNED
From 11/30/23 to 12/31/23.

	<u>Bank of Japan</u>	<u>Nederlandsche Bk.</u>	<u>Javasche Bk.</u>	<u>Swiss N.B.</u>	<u>Bankovni</u>	<u>Bank of England</u>	<u>Bank of France</u>	<u>Totals</u>
Bankers Acceptances	\$ 1,116.71	\$ - 0 -	\$ 1,620.34	\$ 1,910.70	\$ - 0 -	\$ 89.08	\$ 89.01	\$ 4,825.84
Treasury certificates	4,090.04	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	4,090.04
Custody charge on earmarked gold	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
	\$ 5,206.75	\$ - 0 -	\$ 1,620.34	\$ 1,910.70	\$ - 0 -	\$ 89.08	\$ 89.01	\$ 8,915.88

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

52JN D 145

Q NEWYORK NY 510P JAN 15 1924

BENJAMIN STRONG

THE BREAKERS PALMBEACH FLO

ANSWERING TELEGRAM VERY SATISFACTORY ^{Inv. Com} PARTRIDGE MEETING ATTENDED BY
 ALL EXCEPT MCDUGAL WHO STAYED HOME BECAUSE OF BANK SITUATION AFFECT-
 ING HIM AND YOUNG ALSO PRESENT ^{Organization} COTTON MILLER CURTISS WILLS JAY UNANIMOUS-
 LY VOTED TO CONTINUE PRESENT PROGRAM ^{Open mkt purch} CORN AS TO MATURITIES AND RATES
 WITH ADDITIONAL AUTHORIZATION TO BUY UP TO FIFTEEN MILLION DECEMBER
 NINETEEN TWENTY FIVES ^{Open mkt purch} ALL CORN AS HERETOFORE ONLY ON OFFERINGS AND
 HOLDING TO PRESENT APPROVED PRICES WITHOUT FOLLOWING MARKET DOWN FOR
 YOUR INFORMATION MONEY CONDITIONS SHOWS SLIGHTLY STIFFER TENDENCY

[see code in
Jay file]

SYMBOL
Blue
Night Message Nite
Night Letter N L

WESTERN UNION TELEGRAM



CLASS OF SERVICE	SYMBOL
Telegram	
Day Letter	Blue
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NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

RECEIVED AT 52 J N D 2ND SHEET NEWYORK NY

ACQUIRED THREE AND ONE HALF MILLION SHORT PAPER TODAY AT RATES ESTABLISHED ALL AGREED ON POLICY TO MAINTAIN GOLD NINETEEN TWENTY THREE LEVEL NO CHANGE IN SYSTEM BUYING RATES FOR BILLS ALTHOUGH DEALERS QUOTATIONS HAVE DROPPED ONE EIGHTH I EXPLAINED TO PARTRIDGE YOUR VIEWS AND POSSIBILITIES ABOUT EGGS NO SUGGESTION OF UNFAVORABLE ATTITUDE FROM ANY QUARTER PARTRIDGE ALL FAVORABLE TO PARTICIPATING IF SATISFACTORY PLAN PRESENTED

BUTTER [Case]

546P

to the account of _____

\$ _____

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

①

FEB 1 1924
FILES DIV.
copy

January 15 1924

Benjamin Strong

The Breakers

Palm Beach Florida

Answering telegram Very satisfactory partridge meeting attended by all except McDougal who stayed home because of bank situation affecting him and Young Also present Cotton Miller Curtiss Wills Jay Unanimously voted to continue present program corn as tomaturities and rates with additional authorization to buy up to fifteen million December nineteen twenty fives All corn as heretofore only on offerings and holding

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. One-half the unrepeated message rate is charged in addition. Unless otherwise indicated on its face, this is an unrepeated message and paid for as such, in each case 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 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 interruptions 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, either 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 understand-

ing 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 rates 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.

to the account of _____

\$ _____

SERVICE DESIRED	
Telegram	
Day Letter	
Night Message	
Night Letter	

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

WESTERN UNION TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

Receiver's No.
Check
Time Filed

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

-2-

to present approved prices without following market down For your
information money conditions show slightly stiffer tendency Acquired
three and one half million short paper today at rates established
All agreed on policy to maintain gold nineteen twenty three level
No change in system buying rates for bills although dealers quotations
have dropped one eighth I explained to Partridge your views and
possibilities about eggs No suggestion of unfavorable attitude from
any quarter Partridge all favorable to participating if satisfactory
plan presented

BUTTER

Confidential

FEDERAL RESERVE BANK
OF NEW YORK

January 16, 1924.

Dear Governor Strong:

I was very glad to receive your telegram of yesterday, announcing your safe arrival at Palm Beach and asking for information regarding the meeting of the Open Market Investment Committee.

OPEN MARKET INVESTMENT COMMITTEE

I immediately wired you, using wherever possible the code words arranged between you and Mr. Jay. While my telegraphic message was brief, nevertheless it furnished you with a pretty complete birds-eye picture of what happened. However, I have just completed making up the minutes of Monday's meeting which, of course, give a little more detailed information on the discussions which took place and the subsequent action. In order that you may be fully informed and brought up-to-date, I am now enclosing the following data:

1. Copy of my telegraphic reply of yesterday to your telegram,
2. Copy of the minutes of the meeting of the Open Market Investment Committee of January 14, 1924.
3. Index, to which are appended seven different statements submitted to the committee.
4. Information as to Government security holdings - F. R. banks.
5. Copy of a letter which was approved by the committee and sent to each Federal reserve bank, in reference to maturities and price limits approved by the committee and governing purchases.

FOREIGN BANK ACCOUNTS

- (a) Copy of monthly report, showing changes and important developments during December.
- (b) Copy of a letter approved by the committee, to be sent to all Federal reserve banks, except Boston, regarding participations in these accounts.
- (c) Summary of our relations with the Bank of Japan.

*2261
Bk of Japan
1/14/24*

I may say, in passing, that the minutes of Monday's meeting have been prepared with a good deal of care and are the joint product of Mr. Jay and myself.

1/16/24.

Monday's meeting was ideal in every particular. The best of feeling prevailed and everyone was in sympathy with the whole program adopted. It did look, at one time during the morning, as though the members of the committee would be averse to continuing purchases because of the temporary ease in money and the tendency for securities to go higher. However, I got them to agree that, while we should not again lower our buying prices at the moment, we should be fully prepared to take such securities of the type and maturities authorized as come within the price limits fixed.

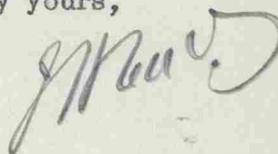
Yesterday there was a complete shift in call money, some \$20,000,000 or thereabouts having been loaned at 5%. As a result, we were enabled to pick up, yesterday, some \$3,500,000 of short paper maturing this year, and a similar amount early this morning.

All of our guests, with the exception of Governor Harding, who returned on the afternoon train Monday, attended the dinner that night.

The minutes will show that I carried out your idea in dealing with the foreign accounts. Governor Crissinger spent yesterday with us here at the bank, which enabled us to go over carefully with him many items of mutual interest. It also gave Jay and Harrison an opportunity of satisfactorily discussing the question of non-cash collections and to ^{have him} hear from a few bankers their unfavorable information about taking away services which we are now rendering.

I trust that you are in good golf form and will have the best kind of an outing.

Faithfully yours,



J. H. GASE.

Benj. Strong, Esq.,
The Breakers,
Palm Beach, Florida.

FEDERAL RESERVE BANK
OF NEW YORK

January 17, 1924.

Dear Governor Strong:

With this I am handing you a copy of a letter which I received this morning from Governor McDougal, together with copy of a memorandum prepared by Mr. McKay, expressing his convictions regarding the several phases of our open market activities.

This morning Governor McDougal talked with me over the telephone and told me that he had had a conversation with Young; and, while he thought the South Dakota situation was still serious, he believed Young had the matter well in hand, and hoped there would be very little further trouble from that quarter.

I am also enclosing a copy of my letter of to-day's date to McDougal.

In the minutes and in writing you yesterday, I touched very lightly on the subject of the Bank of Japan. I might now add that Mr. Jay and I emphasized the confidential nature of this discussion and outlined very briefly the character of the possible change that might occur in their relations with us, owing to the fall of the yen. Messrs. Crissinger and Miller, as well as all the members of the committee present, expressed a sympathetic attitude and believed we had a responsibility in doing our part to enable this country to continue its heavy exports of American goods to Japan. Three or four different methods of doing this were touched upon, principally by Dr. Miller, but it was finally thoroughly understood that ^{the} discussion was largely of an academic character and that nothing whatever would be done about it unless and until some proposal was submitted for consideration.

Everything continues to go nicely at the bank.

Cordially yours,



J. H. CASE.

Benj. Strong, Esq.,
The Breakers,
Palm Beach, Florida.

Encs.

✓ Jan
FEDERAL RESERVE BANK

OF NEW YORK

FILES DIV
FEB 3 1924
FEDERAL RESERVE BANK
NEW YORK

January 18, 1924.

Dear Governor:

Just two or three high spots for your information.

(1) South Dakota situation. Copy of Governor McDougal's letter of January 16, which discusses the unfavorable bank situation in South Dakota, is enclosed. The statement made in the fourth paragraph about chloroforming the bank as to its old indebtedness and yet continuing to receive and pay against new deposits made on and after January 14, shows a strange sort of banking procedure.

(2) Reichsbank. Enclosed is copy of their inquiry to us under date of December 19 as to the German capital in this country, and copy of my reply of January 15.

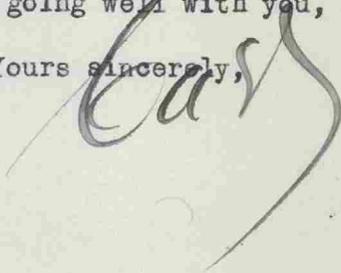
(3) Comptroller's Office. Revision of forms. Comptroller Dawes recently indicated that they had under contemplation revision of the forms used by examiners in reporting examinations of national banks, and asked if we would be good enough to give him the benefit of any recommendations we might have for the inclusion of particular information desired by or which would be helpful to the Federal reserve banks. I have gone over this matter carefully with Messrs. Chapin, Morris and Dillistin, and enclose a copy of my reply, in case you have other ideas of your own about this which you may wish to discuss with Comptroller Dawes when you are next in Washington.

(4) Transaction for Treasury. I consummated to-day a very interesting transaction for the Treasury. Winston told me late Wednesday evening that the Post Office Department desired to sell \$20,000,000. Fourth 4 1/4s promptly upon as favorable terms as possible. As they were then quoted at 99 - 99 1/32 and were within a point or two of the lowest of any of the outstanding Liberty bonds, it

occurred to me that this offering might interest the British Treasury. Accordingly, with Winston's permission, I took the matter up direct with our friends at the corner, offering them the entire block at 99 net and interest (free of all commissions). They thought my price was much too high and suggested that at 98 1/2 they would recommend the purchase to their clients. They finally agreed to cable the offer without comment, and this morning they received word to buy. Payment is being made for them to-day against delivery from our stock held for the Treasury. This was an interesting deal to handle and I have enjoyed consummating the transaction.

There is very little else of interest to report. Money continues to be easy, and our additions to the special investment account are very moderate. However, the total purchases now amount to approximately \$50,000,000.

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

Yours sincerely,


Mr. Benj. Strong,
The Breakers,
Palm Beach, Florida.

Encs. (4)

FIFTEEN NASSAU STREET
NEW YORK

FILES DIV.

FEB 7 1924

January 19, 1924.

FEDERAL RESERVE BANK
OF NEW YORK

Case

- copy on file 410.5 -

Dear Governor Strong:

For your information, here is a copy of a letter just received from Dr. Miller stressing the importance of moving slowly at present in our open market operations. As the whole committee were in substantial agreement with this viewpoint, I have in my reply (copy enclosed) indicated that we are pursuing a conservative course.

You may also be interested in the enclosed communication from Governor Harding, about having his advisory committee of stockholders get back of a bill to enable mutual savings banks to become associate members of the Federal Reserve system. I have told him frankly that his present setup of this is full of prickles and will surely lead to an attack from member banks generally, because this proposal would enable mutual savings banks to become associate members of the system, carrying but a nominal reserve against their time deposits (1/4 of 1 per cent.), while all other members having precisely the same type of deposits would still be required to carry 3 per cent. When I talked with him over the telephone this morning I thought his enthusiasm for it appeared to be waning. He said, of course, nothing would be done about it unless he had the

FILES DIV.

FEB 7 1924

unanimous approval of his advisory committee.

FEDERAL RESERVE BANK

OF NEW YORK

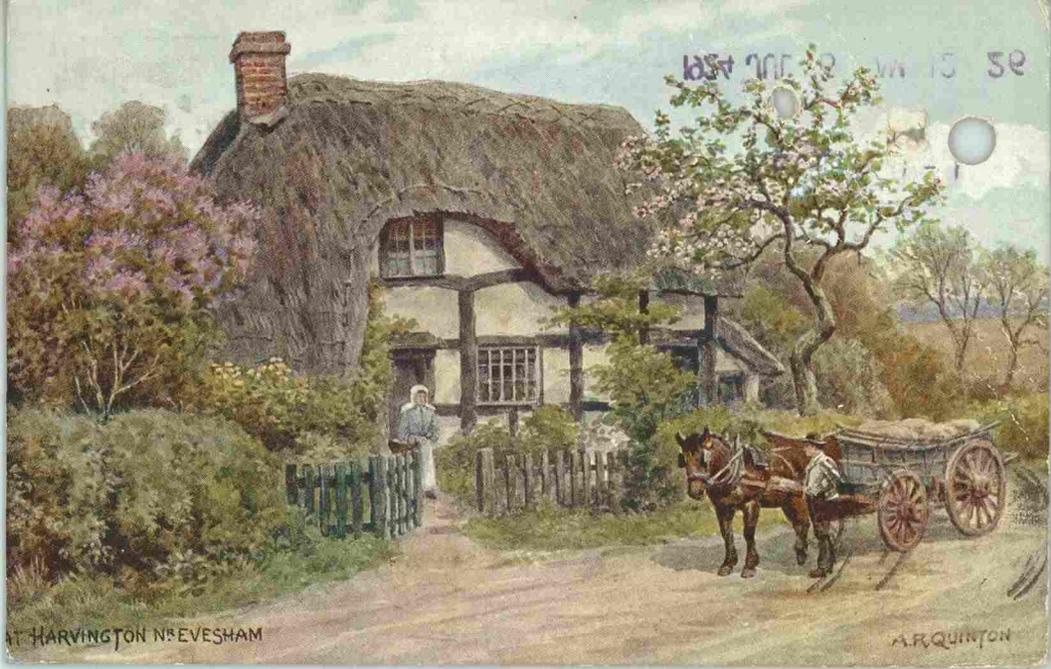
Very cordially yours,



J. H. Case

Benjamin Strong, Esq.,
c/o of The Breakers,
Palm Beach, Fla.

Enc.



POST CARD

FEDERAL RESERVE BANK OF NEW YORK

DESIGNED BY J. SALMON, SEVENOAKS, ENGLAND
PUBLISHED BY THE FEDERAL RESERVE BANK OF NEW YORK
DRAWING BY A. R. QUINTON

RECEIVED
PRINTED MATTER RATE THE
WORDS "POST CARD" MUST BE STRUCK OUT. BUT ONLY THE
WORDS OF GREETING, IN ADDITION TO DATE, NAME AND
ADDRESS OF SENDER, MAY THEN BE WRITTEN.



The Address Only to be
Written Here



Dear Forman
This is
a bit of the beautiful
English Country
the music of the
watering
having a great time
St. Louis

Benj Strong Esq
Federal Reserve Bank
New York
U.S.A.

*1625

FEDERAL RESERVE BANK
OF NEW YORK

March 29, 1924.

Dear Governor Strong:

Since your departure last Saturday, there has been a complete reversal in the money market from the low figures which prevailed when you sailed. A cable advising you of current conditions was sent you last night, so that you should have it on your arrival.

It developed in the early part of the week that there was a great deal of interest felt in Washington as to the reason for the very sudden and marked change which had taken place in the money market, and on Monday, March 22, a letter was received here from Mr. Winston addressed to you and asking for some information on this subject. Dr. Miller, of the Federal Reserve Board, called me on the telephone to ask about the situation. For your information I am enclosing a copy of Mr. Winston's letter and a copy of my reply sent him under date of March 24.

Mr. Winston was in New York on Thursday and spent several hours here at the bank, which gave us a good opportunity to talk over some further plans of the Treasury. One matter that he is anxious to see cleared up is the disposal of about \$40,000,000 in long-term Treasury bonds now held by the Alien Property Custodian, and the substitution therefor of either Third 4 1/4% Liberty Loan bonds or other short-term Government paper.

Prices of Government securities are gradually strengthening, and while we have not as yet been able to make any further purchases, it looks to me as though there may be an opportunity to acquire some additional "Governments" the first of the week. I am also enclosing the offering sheet of S. B. & H. as of this date, together with a copy of our daily letter to the Board dated March 28. Our total earning assets have increased \$100,000,000 during the past week. Figures have now been received from all the Federal reserve banks, showing their estimated expenses for the current year and the amount of earning assets required to be held during the year to cover such expenses. I have had an analysis made of the average earning assets held by each bank on the basis of its weekly report to the Board from January 1 to date. I think this would be a good thing to continue. You will observe that the System as a whole is about \$138,000,000 short of the amount necessary to cover expenses.

I hope that you had a good voyage over and that you will have an enjoyable time during your short stay in England.

Faithfully yours,

Benj. Strong, Esq.,
G/c Bank of England,
London, England.



FEDERAL RESERVE BANK
OF NEW YORK

*B.S.
Pers.*

CABLE ORDER

(Outgoing Message)

Date April 30, 1924

Copy of Cablegram sent to CODING DEPARTMENT.

From Foreign Department

Please code the following message addressed to the
Strong, Care Logan 7 Rue Monsieur, Paris.

Number of Cable _____
(If Payment Cable)

Rate reduced to 4% Crissinger redesignated Governor Stewart not
resigning.

CASE.

*Approved by
Mr. Case +
Mr. Jay*

(Dept. Head's Initial) Time

J

(Officer's Initial)

Strong
Cable

FEDERAL RESERVE BANK
OF NEW YORK

October 14, 1924.

Dear Governor Strong:

I was very glad to learn from your recent telegram to Miss Bleecker that you are loafing hard and beginning to feel much better than you did at the time you went away. I understood that you wanted a rest from consideration of bank matters and, therefore, have refrained from communicating with you.

As you have undoubtedly been advised, on Monday of last week the officers moved into the new building. All of our several departments are now under our own roof, with the exception of two or three, which are still in the Annex Building and which are to move over in a few days. It is a bit early, perhaps, to express a final opinion as to the building, but the officers generally feel that it is going to work out well, and our visitors' comments are most favorable. The publicity attending our removal has been negligible and, as some of the artisans are still at work in certain departments, we have refrained from sending out to our member banks even a notice of removal and shall not do so for another week, in the hope that we may become pretty well acclimated by the time our visitors begin to come in.

I had a cable from Mr. Jay a few days ago, stating that he plans to sail on October 25; and he should, therefore, arrive home just about election time. He sent me a copy of an entertaining letter he wrote Governor Crissinger, telling about his interesting work with Owen Young.

Matteson tells me that you have asked him to prepare a brief report on the operations of the Open Market Investment Committee for your meeting in Chicago on October 24. This report went forward on Saturday, together with a little memorandum prepared, at my request, by Dr. Burgess and dealing with this subject from an economic standpoint based upon current conditions.

In connection with the Chicago meeting, it occurs to me that possibly you might wish to have the committee consider the desirability of the Federal Reserve System's making a moderate investment in sterling bills in the near future. Mr. Warburg recently attended a meeting of our executive committee, just before going to the Federal Advisory Council meeting held in Washington on September 25, and discussed with our executive committee the idea of this bank's making an investment in prime sterling bills, with approved American banking indorsements on a guaranteed dollar basis. Mr. McGarrah and the other members of our executive committee expressed the opinion that the development of a market for sterling bills in this center would be most desirable, and further expressed the view that we should give the idea our sympathetic support by being prepared to buy, from time to time, moderate amounts of prime sterling bills bearing approved American banking indorsements on a guaranteed dollar basis. We subsequently purchased one lot of prime bills, aggregating £100,000 and bearing the indorsements of Rothschild and of the International Acceptance Bank, Inc., which lot of bills was carefully reviewed by the executive committee. This has since been increased by the purchase of four additional lots, of £100,000 each, of

prime bills, each lot bearing the following indorsements:

Swiss Bank Corporation	London)
Seligman Bros.	")
National Discount Company	")
Union Discount Company	")
International Acceptance Bank, Inc.	New York

In discussing this matter with Mr. Warburg, I expressed the strong conviction that, if a market were to be developed in this country, the primary transactions should occur in the open market and the Federal Reserve System should merely be the backlog for the purpose of having the bills melted down from time to time, rather than become the original purchaser; and I further expressed the belief that, if the System should desire to make a substantial investment in such bills, we should effect it through our correspondent, the Bank of England.

As you will recall, just before you went away the Bank of England had agreed to put £100,000 of our account on an interest basis, and full details of this transaction were received here the latter part of September. Meanwhile, the Federal Advisory Council had held its meeting in Washington on September 25 and adopted a resolution favoring the investment by Federal reserve banks in foreign bills under certain conditions, a copy of which is enclosed. I thought it best to write Governor Crissinger the complete particulars in respect of our investment through the Bank of England, making a comparison between it and the investment in the same type of bills in this market with approved American banking indorsement. A copy of my letter, dated September 30, is also enclosed.

Messrs. McDougal* and Fancher were in the bank to-day, attending a meeting of the Pension Committee, and before they left they wanted to know about the Open Market program for October 24, which I reviewed. I then told them a bit about these foreign bill purchases. They appeared to be very much interested and expressed the hope that you would discuss this subject at the forthcoming conference. Herson arrived at the bank on Saturday, at noon, availing himself of the holiday, Monday, to make a weekend examination without interruption.

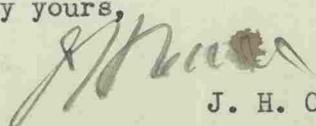
I recently received a communication from Governor McKinney, of Dallas, who desired to acquire some additional earning assets through the good offices of the Open Market Investment Committee. I replied, under date of October 1, and have now received his acknowledgment bearing date of October 8, all of which correspondence I am enclosing in the belief that you may wish to have it reviewed by the committee.

*(Governor McDougal expressed the hope that we might send him some information for consideration in advance of the open market meeting, but, not knowing your thoughts as to this, I shall merely send him, early next week, a copy of the Burgess memorandum and of the report prepared by the secretary.)

Mr. James of the Federal Reserve Board has, I understand, now visited all the Federal reserve bank buildings, including branches, with the exception of Buffalo, and is contemplating covering those two in the near future. I hope you may be on deck when he comes.

With every good wish, I am,

Faithfully yours,



J. H. CASE.

Benj. Strong, Esq.,
Colorado Springs, Colorado.

Case

OFFICE CORRESPONDENCE

DATE January 5, 1925. 192

TO Governor Strong

SUBJECT: _____

FROM J. H. Case

Since the turn of the year, call money is becoming very much easier. To-day, call money renewed $4\frac{1}{2}\%$, and at 11:30 a. m. dropped to 4%, with \$30,000,000 offered, which is an indication that the rate may go still lower.

The Treasury Department, acting on behalf of the Alien Property Custodian, exchanged some \$35,000,000 March certificates for the new 4% Treasury bonds, which it is desirous of reselling to the market as opportunity may offer, and of replacing them with short-term certificates. Of the latter, there are now but two issues outstanding, March 15 4% certificates and September 15 $2\frac{3}{4}\%$ certificates.

On Saturday, January 3, I sold for the Alien Property Custodian account \$5,000,000 of the 4's for delivery to-day; and, in order that they may have prompt reinvestment, we have agreed to let them have \$5,000,000 of the March 15 4% certificates from the System account. I could replace these by acquiring in the market \$5,000,000 March 15 $4\frac{3}{4}\%$ certificates on the same basis, or effect the following combination:

March 15 $4\frac{3}{4}\%$ certificates, on 2.47 basis.....	\$2,000,000
June 15 $4\frac{1}{2}\%$ Treasury notes, 2.75 basis.....	1,000,000
Sept 15 $2\frac{3}{4}\%$ Certificates, on 2.75 basis.....	<u>2,000,000</u>
	\$5,000,000

In view of the easier money conditions, I think it would be desirable not to replace the \$5,000,000 sold; But I should like to know how you feel about it.

JHC HAB

FEDERAL RESERVE BANK
OF NEW YORK

Case

OFFICE CORRESPONDENCE

DATE January 19, 1925. 192

TO Governor Strong

SUBJECT: Money Market Conditions

FROM J. H. Case

ACKNOWLEDGED

JAN 24 1925

RS

As you are receiving a copy of our confidential daily letter to the Federal Reserve Board, together with a copy of our daily statement, I am sure you are keeping pretty well informed as to what is going on in the money market.

The New York Clearing House statement, published as of Saturday, (copy enc.) January 17, shows an actual excess reserve of clearing house members of \$70,000,000. This situation was due entirely to the fact that the daily → (copy enc.) average reserves for the week were some \$10,000,000 under the requirements, necessitating considerable borrowing here on Friday, which was immediately paid off on Saturday.

To-day call money opened at 3½% and shortly thereafter went down to 3%, with some \$30,000,000 offered. Accordingly, I arranged with the dealers to take up \$10,000,000 of securities which had been sold them for delivery on or before January 22. \$5,000,000 more will go out to-morrow and a like amount on Wednesday.

The stock market was very strong on Saturday, but has been more or less irregular to-day. Mr. McGarragh, in a conversation he had with Mr. Jay and me after the Executive Committee meeting this afternoon, stated that under existing conditions he thought it might be advisable for us to continue to make further sales to a point that might bring the account down to, say, around \$300,000,000. We received official word from Mr. Platt of the Board that the Board has considered and notes with approval the minutes of the meeting of the Open Market Investment Committee held at the Federal Reserve Bank of New York January 9, indicating that the committee proposes to continue to sell from the open market portfolio of securities, as it can be done from time to time without disturbance to the market.

You will recall that at the last meeting of the Open Market Investment Committee (at which a forward contract for the sale of \$40,000,000 of securities was agreed upon), I reported that there was some \$12,000,000 of September certificates then in the market which we could purchase at any time, at our option. This lot, however, has since been disposed of, some to the Treasury to replace sales of new 4% bonds from the Alien Property Custodian account, and some to the market, presumably for the British Government account.

Messrs. S. B. & H. informed me to-day that they could use on Jan. 22, for a ten-day period, an additional \$25,000,000 of September 2¾% certificates at par, which a certain large corporation desired to purchase and carry until February 1, at which time the corporation will be taking up certain of their own bonds. I shall chat this over with the various members of the committee to-morrow morning, and if money conditions on Thursday appear to be favorable to the consummation of this transaction, I would recommend that we effect the sale. I assume that you will receive this memo. not later than Thursday morning, and would appreciate your promptly wiring me your views. I enclose (to 3:30 p. m.) the money report of to-day's transactions.

Reed
noon
Friday
Jan 23
1925

FILES DIV
JAN 22 1925
FEDERAL RESERVE
OF NEW J

OUTGOING TELEGRAM

January 21, 1925

Governor Benjamin Strong

The Breakers

Palm Beach, Florida

Test one Yesterday total earning assets \$269,000,000. Gold \$972,000,000. Members reserve deposits \$831,000,000. Ratio 80%. Call money plentiful closed at 2½. System account down to \$350,000,000. all members of committee favor additional sale down to \$300,000,000. and unanimously approve selling \$25,000,000. Septembers mentioned my memorandum to you January 19th. Have arranged to consummate this transaction by delivering one half today and balance tomorrow

Case

Case

OFFICE CORRESPONDENCE

DATE January 23, 1925. 192

To Governor Strong

SUBJECT: MONEY CONDITIONS

FROM J. H. Case

ACKNOWLEDGED

JAN 28 1925

RS

I have your telegram of to-day and am glad to note that you agree that we must continue sales as proposed.

We have been having the traditional January "thaw," so far as money is concerned; and notwithstanding the fact that we have sold from the open market portfolio \$90,000,000 of Government securities to this market, it has been almost impossible to sponge up the deluge of funds coming into the market.

As I wrote you on Monday, the committee unanimously approved our selling down to \$300,000,000, a point we have approximately reached at this writing. Mr. McGarrah, whom I have kept informed as to what has been going on, talked with me to-day about the matter and expressed his feeling that we should be prepared to sell additional amounts, if the ease in money should continue next week. I am not quite sure how all the members of the committee will feel about going below \$300,000,000, but I think that by next Tuesday we should have a better idea of just what the picture will look like.

The \$125,000,000 telephone transaction was cleared yesterday without a ripple in the market, call money being 3% and going as low as 2½% in the afternoon. That these sales are having an effect upon the reserve balances of our members is borne out by the fact that they found it necessary to borrow to-day upwards of \$50,000,000 to adjust their reserve balances for the week. This action on their part, I take it, will result in showing some actual surplus reserve in the clearing house statement to-morrow.

I am enclosing exhibits showing the present status of the System account, the actual transactions that have occurred, week by week, from December 19, 1924, and a statement showing that on the \$90,000,000 of sales since January 13, the net profit to the banks of the System amounts to \$137,000,000.

George Harrison got off to-day for his week's trip to South Carolina, and Jay and I have persuaded him to spend a few days in Atlanta on his way back, in the hope that a little visit from him may exert a wholesome influence in that quarter. Jay and I have had several parties of bank presidents, and Sailer and Kenzel have had one or two parties of vice presidents. We feel that this is one of the very best things that we have done in a long time. The bankers generally are delighted, not only with our building but with the opportunity of seeing some of the actual transactions that are being carried on.

I am glad to note that you are having such a fine rest.

JHC HAB
Encs.

Starting 4,807.6

JHC

Case

FEDERAL RESERVE BANK
OF NEW YORK

FEDERAL RESERVE BANK
OF NEW YORK
FEB 17 1925
FILES DIVISION
NOTED

January 26, 1925.

READ AND NOTED,
2/2/25 - B. S.

Dear Governor Strong:

I have your letter of January 21, in which you make suggestions as to the remedying of several defects in the mechanics of our code arrangement which the practical use of the code has brought to light.

The suggested changes and additions are certainly a big improvement, and we shall be careful to have our messages to you prepared in accordance with the code list. The extra copies of the list of additional words have been distributed to Messrs. Jay, Sailer, Harrison and Kenzel, and the Codes & Tests Division has received its copy.

Keep on loafing, and don't worry about the burden here. There are enough of us to shoulder it; in any event, until you get back.

Faithfully yours,

J. H. Case

J. H. CASE.

Mr. Benj. Strong,
The Breakers,
Palm Beach, Florida.

*Call money advanced today to 4 1/2 %
Due to Rice Waterhouse \$1,000,000, Pillsbury
of Grit's \$500,000, M. J. Tansley \$500,000
Mobley End of month read just now*

MISC. 34.1 40 M 8-24

FEDERAL RESERVE BANK
OF NEW YORK

SENT BY

JHC HAB

12 10 p. m.

COPY OF TELEGRAM

1925 JAN 29 PM 12 18
JAN 29 1925
FEDERAL RESERVE BANK OF NEW YORK

Case

SEND TO FILES

Benj Strong

The Breakers

Palm Beach Florida

Harrison address Good Hope Plantation Ridgeland South Carolina

CASE

Case

OFFICE CORRESPONDENCE

DATE February 3, 1925. 192

TO Governor Strong

SUBJECT: CURRENT MONEY SITUATION

FROM J. H. Case

*Case 2/8/25*CONFIDENTIAL

In sending you information concerning the Clearing House weekly summary, yesterday, and the list of borrowings of our New York City member banks, I promised to give you some word to-day about the money situation.

The Treasury's average balance in the Federal reserve banks during the past week or so has been about \$50,000,000. Yesterday the Treasury retired about \$30,000,000 of the 4% Consols previously called for redemption, thereby reducing its System balances by that amount. The Treasury is now making a call from member bank depositaries as of Thursday, February 5, for about \$15,000,000, one-third of which comes from this district.

In spite of this retirement yesterday, the money market continues fairly firm, with call loans at $3\frac{1}{2}\%$ and but a relatively small supply. Messrs. McGarran and Young spoke to Jay and me at the close of the executive committee yesterday and asked if we thought the time had arrived to consider a raise in our rate. We expressed the view that it was a bit early yet, but that if our loans should continue to rise during the course of the next few weeks such a procedure might be desirable. Our loans to the New York City banks increased to-day by approximately \$10,000,000, so that as of to-night they will owe us about \$100,000,000.

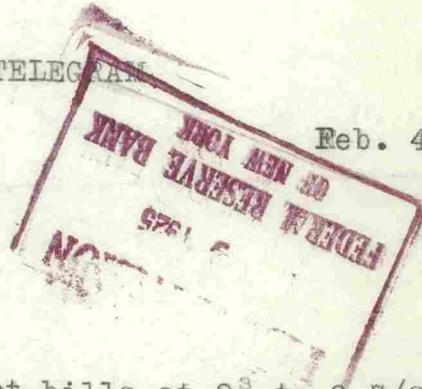
As to the stock market, the edge appears to be off, although there is considerable activity in the oils, with prices up to a new high point. Stock exchange call loan account continues to be about the recent high point. The open market account is down to exactly \$300,000,000, and unless you have something to suggest my own thought would be to make no further sales nor purchases for the present but to watch closely the daily course of funds. Yesterday we transferred to J. P. Morgan & Co. a block of \$25,000,000 of the $2\frac{3}{4}\%$ September 1925 certificates that one of our dealers was taking back from a large corporation which had acquired them some two or three weeks ago for a short period. In this connection I am enclosing a copy of a letter which I sent Mr. Winston under yesterday's date regarding this transaction. The letter, you will note, contains a suggestion as to the effect that the reduction of the September 15 certificates in the hands of the outside public might have on his March 15 financing.

Gold exports continue to be heavy, the total engagements for yesterday and to-day aggregating some \$13,000,000, of which \$10,000,000 is for shipment to India. Our reserve ratio is just a bit lower and now stands at about 76%.

OUTGOING TELEGRAM

Feb. 4, 1925

Governor Benjamin Strong
The Breakers
Palm Beach, Fla.



#4 We are still purchasing short bills at $2\frac{3}{4}$ to $2\frac{7}{8}$ as compared with 3 percent for three months and $3\frac{1}{4}$ for four months and Pierre Jay and I are proposing as of tomorrow or Friday to make the minimum rate on all bills 3 percent. Advise us if you see any objection to this course. Volume of bills in existence and volume held by system are decreasing slightly so that this change should cause minimum disturbance to bill market

Case

test OK

FEDERAL RESERVE BANK
OF NEW YORK

August 7, 1925.

Dear Governor Strong:

1. I am enclosing a copy of my cablegram to you to-day acknowledging receipt of your letter of July 15 to me, one of July 19, two of July 20 and 21 to Mr. Jay, and one of July 23 to me. The matters which required immediate attention have been dealt with in my cable.

2. Mr. Jay left for his vacation the day after your letter of July 20 was received which deals with a possible loan to the Rentenbank by Harris, Forbes & Company and the National City Bank as well as the Gold Discount paper. He, therefore, had no opportunity to discuss the matter with Mr. Mitchell but turned your letter over to me to take care of. I have found out that Mr. Mitchell is sailing for Europe and have, therefore, considered it unnecessary to discuss the matter with him, since he will have an opportunity to study the situation himself at first hand.

3. We received word yesterday of the reduction in the Bank of England rate to 4 1/2%, and the reaction here has been entirely favorable. I enclose two Dow-Jones items and our own newspaper review on the subject.

4. I am also sending you two memorandums which deal with what I understand to be a protest made by Mr. Mitchell, of the National City Bank, to the State Department, concerning the advances which we are making on gold to the Banking Office in Prague. I believe they are self-explanatory and indicate to you just how we have dealt with the matter. It seems to me that this was an astounding thing for him to do, but it looks like a pretty clear indication that he is on the war path. Perhaps you and he may meet some time within the next few weeks, in which event you may wish to discuss this matter with him.

8/7/25.

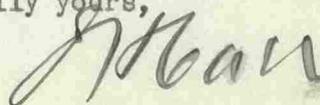
5. If one of your letters can be said to be more interesting than the others, it was the one of July 20 about Schacht and the Reichsbank. Personally, I would be in favor of assisting him by the purchase of mark bills along the lines you suggest, and believe we would be adequately secured. The principal difficulties, of course, are possible unfavorable developments in Germany and criticisms which we might encounter here. Both of those factors, however, may take on a different light by the time Schacht needs assistance. Unfortunately, I have been unable to discuss the question with our directors, since all of those who would be particularly interested are out of town and will not return until towards the latter part of the month. This week, only Mr. Saunders and Mr. Runkle were with us.

6. All signs seem to point to a more active use here of credit now and in the immediate future. The earning assets of the System went up \$80,000,000 during the last week and now are something more than \$1,100,000,000. The stock market continues active, with prices at very close to the high point. If the anticipated demand from the West for additional funds appears within the next few weeks, it seems clear that the stock market may get a good bump.

7. Winston will presently be discussing his September financing. There is now outstanding but \$229,000,000 of September 15 certificates, with something more than \$100,000,000 of interest to pay at that time. He thinks they will probably have to borrow \$250,000,000 to \$300,000,000 by means of short-term financing.

8. I returned from my vacation on Monday, August 3, feeling fine, and had a very good outing. I am very glad to report that Mrs. Case is now much improved and appears to be on the road to a complete recovery.

Faithfully yours,



Mr. Benj. Strong,
C/o Bank of England,
London, England.

Encls. (5)

Emergency 1925

MARCONIGRAM



SHORE TO SHIP
AND
SHIP TO SHIP



PREFIX *Radio* HANDED IN AT *New York* No. *2633* Date & Time handed in *11/14/31*
 Service Instructions *via GYKY* Date and Time Recd. *0454* Recd. from *GYKY* By *JWJ*

72 SEP 1925

*Benjamin Strong SS Olympic Devizes
 Young and Reynolds
 cted for places under discussion
 matter still confidential Stop Winston
 Chicago next week wants appointment
 you New York Monday Sept 21
 Case*

*PPA 17 SAFNA
YAF20*

This message is only received for delivery subject to the conditions printed on the back hereof.
THIS FORM SHOULD ACCOMPANY ANY ENQUIRY RESPECTING THIS MARCONIGRAM.

Please see over

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HOOK OF HOLLAND—Daily Sailings

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LUXURIOUS STEAMERS equipped in all respects for NIGHT TRAVEL.

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COPY OF OUTGOING CABLEGRAM

FEDERAL RESERVE BANK
OF NEW YORK

CONFIRMATION OF CABLEGRAM

WE HEREBY CONFIRM OUR CABLEGRAM OF THIS DAY, WHICH DECODED ~~SHOULD READ AS FOLLOWS:~~ ^{NEW YORK N Y}

August 7th 1925

Benjamin Strong
Hotel Palais
Biarritz (France)

7 Test

ONE Your cable number seven received If Reichsbank expects export gold from New York and London may ship to us perhaps you Norman and Schacht could arrange for direct shipments London to Berlin or earmarking in London with settlement here in either case which would help them and have same result here

TWO Your letters July fifteenth July nineteenth ~~two~~ July twentieth ~~two~~ July twenty first and July twenty third to Jay and me received and read with much interest

THREE Referring your letter July twentieth to Jay concerning Rentenbank and Mitchell Jay left August First for vacation in Canada and had no opportunity to see Mitchell I understand Mitchell sailing for Europe and therefore consider it unnecessary to discuss this matter with him since he will undoubtedly obtain information himself first hand

FOUR Referring your second letter July twentieth to Jay concerning possibility our buying mark bills from Reichsbank most of our directors out of town until after middle of August when I will discuss situation with Young Wooley and others interested

Case

FEDERAL RESERVE BANK
OF NEW YORK

August 10, 1925.

Dear Governor Strong:

In Mr. Jay's absence, I acknowledge receipt of your letters to him as follows:

- July 25 from Spa, Belgium, confirming copies of cables exchanged regarding rates, and enclosing a copy of your letter of the same date to Dr. Stewart on this subject.
- July 29 from Brussels, confirming cables, and enclosing copies of your letters of July 29 and July 30 to Dr. Stewart, together with extract from letter of Dr. Stewart to you under date of July 27, 1925, all on the subject of rates.

Very truly yours,



J. H. CASE.

Mr. Benj. Strong,
C/o Bank of England,
London, England.

FEDERAL RESERVE BANK
OF NEW YORK

August 10, 1925.

Dear Governor Strong:

I have your note of July 24 regarding Gilbert's need for an experienced foreign exchange man who can work into the organization, in anticipation of the time when the subject of transfers will require an able technician.

I have particularly noted your comments as to just the kind of man who is needed, and both Crane and I will keep the matter before us, pending your return.

Sincerely yours,



Mr. Benj. Strong,
C/o Bank of England,
London, E. C. 2,
England.

FEDERAL RESERVE BANK
OF NEW YORK

August 10, 1925.

Dear Miss Bleecker:

I acknowledge, with thanks, the receipt of your note
of July 27, dated Brussels, with which you enclosed the following:

Copy of memorandum covering impressions
gathered by Mr. Strong.

Copy of the translated Reichsbank statement,
referred to in a recent letter from Mr. Strong.

Very truly yours,



Miss Margaret S. Bleecker,
C/o Mr. Benj. Strong,
Bank of England, London, England.

FEDERAL RESERVE BANK
OF NEW YORK

CONFIRMATION OF CABLEGRAM

WE HEREBY CONFIRM OUR CABLEGRAM OF THIS DAY, WHICH DECODED SHOULD READ AS FOLLOWS:

August 13, 1925

Benjamin Strong,
Hotel Majestic,
Paris

#10 Test CONFIDENTIAL FOR GOVERNOR STRONG

Alexander named Chairman Nominating Committee in absence Jackson Reynolds. In considering merits two suggested candidates Harrison and I feel that Mitchell will make much stronger more useful director than Frew and that this is possibly a good opportunity to convert him. Sailer also agrees but Kenzel strongly Frew. Communicated that view Jay who replies quote My feeling that both should eventually serve as directors and Walter is senior in every way. Recharter consideration influences me largely. On other hand general adverse attitude other man makes it opportune time educate him as director. I not averse to changing and would be satisfied with either. You will remember we discussed this quite fully with Strong before he sailed END QUOTE Disregard paragraph four my letter of seventh relating Mitchell and Bankovni. Mitchell called giving full explanation how inquiry State Department originated and convinced me his communication not complaint but formal statement facts in response to inquiry about foreign loans. Money rates unchanged Kenzel feels time approaching when purchase rates on bills should be advanced by one-eighth to one-quarter all along line and carrying rate by one-fourth While still considering question am

FEDERAL RESERVE BANK
OF NEW YORK

CONFIRMATION OF CABLEGRAM

WE HEREBY CONFIRM OUR CABLEGRAM OF THIS DAY, WHICH DECODED SHOULD READ AS FOLLOWS:

p/2

August 13, 1925

Benjamin Strong,

reluctant do this now lest it may prematurely force our hand on
discount rate. Officers and Executive Committee considering matter
Monday next. Would like your thoughts Present average borrowings
clearing house banks \$100,000,000. average system assets 11 hundred
millions .

CASE

FEDERAL RESERVE BANK
OF NEW YORK

August 13, 1925.

Dear Governor Strong:

Your letter dated from Biarritz, August 1, and dealing with the situation as to rate changes, has been received and carefully considered.

I also have for acknowledgment your two letters on the subject of the Belgian financial situation, dated Brussels, July 28, and Paris, July 30, respectively, copies of which, as I cabled you, were transmitted by me to Mr. Winston on Friday, August 7. They reached him in time for the Secretary of the Treasury and Winston to get the benefit of your reaction, before conferring with the Belgian Debt Commission. Winston has expressed his great appreciation of your courtesy in having these copies sent to him, and I am sure they were of real help to them in dealing with this problem. I have frequently wished that our Washington friends would take a broader and more businesslike view of the situation than they appear inclined to do.

I have read and passed along your letters addressed to Mr. Jay and Dr. Burgess. As to your letter to Dr. Burgess, I am inclined to the view that it would be worth while to let the newspaper boys know just what your reaction is to this question of publicity. There has certainly been a great deal, both here and abroad, published about your trip.

I have also read with interest your comments on the situation in London and the reason which actuated Norman in reducing the rate there. The reaction in this market to the rate reduction has not been very marked, with the possible exception that financial writers have deduced from it that it is most unlikely that our discount rate is to be raised in the immediate future. The mind of the stock market operators, also, I think, has worked along the same lines, and they are continuing to give some speculative favorites an upward twist. American Can, for instance, has climbed up to 240, and General Railways Signal has had an advance of 60 points within the last week. General Electric is back to 310 - the high point it had reached before the electric bond and share stock was deducted from its assets; and Mack Trucks has climbed above 200. These, of course, are exceptional instances, but the general average of prices in both industrials and rails is at a high point for this movement, and, while the stock market has not yet reached the front page stage, I look for it to have a substantial setback almost any time.

No material change has taken place in the street loan account during the past few weeks, it, too, being at what is practically the highest point it has ever reached. It begins now to look to me as though, if the expected commercial credit demand should materialize, it may be necessary next month for us to advance our rate. Meantime, Kenzel has suggested the idea of marking up the buying and carrying rate on bills in advance of the period when the usual autumn increase in bills will occur. This would seem most appropriate, unless it should tend to force our hand on discount rates. I sent you a cable regarding this to-day (copy enclosed), and I hope to have some word from you by Monday, when we, here, shall give further consideration to the subject.

The series of your impressions, sent us by Miss Bleecker under date of July 27, and consisting of a report of your conversations with various important people in London and on the Continent, is most interesting, and I have a suspicion that some of it is likely to prove very useful in the future.

8/13/25.

I am glad to learn that Gilbert is making just the same kind of record in his position as Agent General for Reparations, as he made in his official position in Washington, but it looks to me as though he has, thus far, traveled over the easiest part of the road and is likely to have some very difficult problems to solve within the next two years. The Shepard Morgans, I take it, are having the time of their young lives.

I am particularly interested in your comments on the subject of the Allied debts, but, unless there has recently been a changed attitude, I am somewhat skeptical as to the results obtained by our Debt Funding Commission.

I am sorry to have gotten off on the wrong foot regarding Mitchell and the Czechoslovakian situation, in my letter of August 7. Winston had told me that Mitchell lodged with the State Department a complaint against us, but I think the real facts are that Mitchell criticized us in his personal talk with Winston a day or two previous, and then, at their request, he subsequently reported to the State Department his relationship with Czechoslovakia; whereupon the State Department asked for information about our loan, and Winston, I think, rather jumped to the conclusion that Mitchell had made a formal protest to the State Department. I had a long talk here in the bank with Mitchell on Wednesday, August 11, and as I reduced it to a memorandum, I am enclosing a copy for your information, rather than writing you in detail about here in this letter.

The more I think about the question of a suitable director to succeed ^{McGarrah,} the more I am inclined to think that our best possible bet is Mitchell. (My judgment is that, between you, Owen Young and some others on our board, he would be taken into camp completely within sixty days; and I believe that the critical attitude of his institution and one of his Broadway neighbors toward us, is an outstanding sore spot that we would do well to clear up.)

8/14/25.

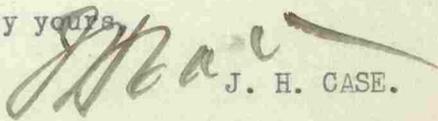
The Irving Bank just telephoned that Mr. Mlynarski, Vice Chairman, Bank Polski, at Warsaw, is there and would like to come down at three o'clock to see us. He is accompanied by Mr. Gliewic, Chargé d'Affaires of Poland, at Washington. Masson, of the Credit Lyonnaise, is in New York, and I attended a dinner given him by Lew Pierson Wednesday night. M. Masson expressed himself as being very sorry to have missed you.

Everything at the bank is running along smoothly, although both the official staff and the clerical force, owing to vacations, are at a fairly low point. This holds true throughout the "street," and we have had but two directors here for meetings this month. Snyder sails abroad to-morrow.

I observe with interest that you have been able to stand the gaff better than either Norman or Stewart, and I hope you will continue to keep in fighting trim during the remainder of your stay abroad.

All the boys join me in sending you our best.

Sincerely yours


 J. H. CASE.

Mr. Benj. Strong,
C/o Bank of England,
London, E. C. 2, England.

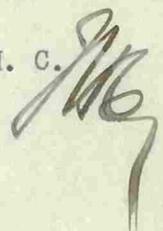
Encls. (2) P. S. You are getting daily reports of the money and banking situation, and as Harrison and Burgess are planning to write you to-day, I shall not make any comments on that subject, other than to say that there

appear to be some indications of inflation developing. The stock market and the stock exchange loan account, you are familiar with. There is tremendous speculation going on in real estate, both in Florida and along the Atlantic seaboard, particularly at Rockaway and Long Beach, Long Island.

P. S. 2. We must keep in mind that there are the usual limitations to discount rate changes during the quarterly Treasury offering period; therefore, if no rate change is made on or before, say, Thursday, September 3, it seems to me we are estopped from making any change until the first of October.

P. S. 3. After I have heard from you on the question of marking up the bill rates, I may have occasion to cable you about the situation. From a domestic standpoint, it does seem to me that the situation calls for an increase in the bill rate, the sale of perhaps \$15,000,000 or \$16,000,000-odd in the open market account, and an increase in our discount rate to 4% on or about September 1st; and I do think it is highly important, from the same standpoint, that we do not let this inflationary tendency get out of hand.

J. H. C.



Benj. Strong, Esq.

CABLE ORDER
(Outgoing Message)

Date August 21, 1925.

To CODING DEPARTMENT

From Foreign Dept.

Please code the following message addressed to the
Benjamin Strong Hotel Majestic Paris

Number of Cable _____
(If Payment Cable)

Replying your cable #13

- ONE Directors Young and Saunders voted yesterday extend \$10,000,000 credit Bank Polski secured \$10,500,000 gold with Bank of England for period of 3 months at 4-1/2% with agreement make not more than 3 renewals each 3 months. Interest rate each renewal to be determined by us at that time.
- TWO Bank of England has cabled willingness hold ^{gold} security for us.
- THREE Have signed agreement today with Vice President Bank Polski.
- FOUR Federal Reserve Board advised and other reserve banks being offered participation.
- FIVE Expect Polski will ship gold London immediately and advances will be made by us on notice its arrival there.
- SIX We have definite understanding with Polski credit will be liquidated proceeds dollar checks and currency remitted here and not by gold shipments which they understand we do not want and which they cannot afford to make.
- SEVEN Have given them no encouragement about larger credit but they propose discussing it with you.
- EIGHT Have agreed further renewal \$6,000,000 Bankovni loan maturing August 31 at 4-1/2%. Directors feel desirable that both loans should have uniform rate this time.

DUPLICATE

Test Number _____

_____ Time
(Tester's Initial)

Test checked by _____ Time

CASE

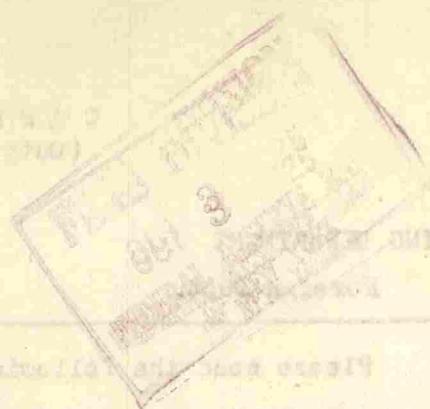
_____ Time
(Dept. Head's Initial)


_____ Time
(Officer's Initial)

1938

UNITED STATES FEDERAL RESERVE BANK

DATE



Please note the attached message addressed to the

Number of Cables

(If known)

Number of Cables

Division of International Finance and Banking advised that the Board of Directors of the Federal Reserve Bank of St. Louis has approved a proposal for a 5% increase in the rate of interest on the 100-day Treasury bill from 4-1/2% to 5% effective July 1, 1938.

The Board of Directors also approved a proposal for a 5% increase in the rate of interest on the 180-day Treasury bill from 4-1/2% to 5% effective July 1, 1938.

The Board of Directors also approved a proposal for a 5% increase in the rate of interest on the 270-day Treasury bill from 4-1/2% to 5% effective July 1, 1938.

The Board of Directors also approved a proposal for a 5% increase in the rate of interest on the 360-day Treasury bill from 4-1/2% to 5% effective July 1, 1938.

The Board of Directors also approved a proposal for a 5% increase in the rate of interest on the 100-day Treasury bill from 4-1/2% to 5% effective July 1, 1938.

The Board of Directors also approved a proposal for a 5% increase in the rate of interest on the 180-day Treasury bill from 4-1/2% to 5% effective July 1, 1938.

The Board of Directors also approved a proposal for a 5% increase in the rate of interest on the 270-day Treasury bill from 4-1/2% to 5% effective July 1, 1938.

The Board of Directors also approved a proposal for a 5% increase in the rate of interest on the 360-day Treasury bill from 4-1/2% to 5% effective July 1, 1938.

Total Number

(Signature)

Date

(Signature)

Lip 1925

**FEDERAL RESERVE BANK
OF NEW YORK**

PERSONAL AND CONFIDENTIAL

August 26, 1925.

Dear Governor Strong:

1. Thank you for your letter of August 4 from Biarritz, with its enclosure of a memorandum covering the main points of the conversations you and Governor Norman had with Monsieur Hautain, which we have found most interesting. Jay, Sailer, Kenzel and Harrison have all had an opportunity of reading it; and we shall, of course, treat the memorandum as confidential, in accordance with your wishes.
2. I also received in the same mail your letter of August 3 to Mr. Jay, giving the substance of your talk with McGarrah concerning the matter of directorship, and listing the names and qualifications of possible candidates to succeed him, which I promptly forwarded to Jay. I have since exchanged considerable cable correspondence with you on this subject. Mr. Alexander seems intensely interested in having us secure a well-seasoned, forceful banker who can be of real assistance to us in time of need.
3. Monday I received a packet of mail from you containing letters for Mr. Jay and Mr. Harrison, which I have distributed to them; also a communication to me dated August 11, replying to my cable No. 7 and relating to the improbability of the Reichsbank exporting gold from New York.
4. My cable No. 16 to you, under even date, will give you a brief resumé of the current money market conditions, our suggestions as to moderate advances in the bill rate, and the latest news on the subject of new directors.
5. In connection with the latter subject, I am enclosing a list of members of the nominating committee for this year. It is, I think, a very satisfactory committee; and in this regard Mr. Alexander has told me a rather amusing incident. In my talk with him this morning he said that Jones, of the Manhattan Company, had called up and stated that Stephen Baker wanted him to communicate with Alexander and say that, while Baker would be back from vacation early in September, he was obliged to go away again for a few days and thought, therefore, that it would be inadvisable for him (Baker) to serve on the committee. If one were disposed to read between the lines, this certainly sounds a bit suggestive.
6. You have been fully informed concerning the \$10,000,000 credit extended to the Bank Polski. Referring to my letter of August 21 concerning this credit, we have reported the transaction to the Federal Reserve Board in exactly the same manner as we did when the loans on gold to the Bankovni were made, and now have their simple acknowledgment without comment. I thought you would be interested in reading the two letters which we have written to the Federal Reserve Board in this connection, one under date of August 20, and the other under date of August 22, copies of which are enclosed. You will note that in the latter communication we told the Board that the Bank Polski preferred not to have any publicity given to the credit. However, the last two paragraphs of the enclosed clipping from the Journal of Commerce strongly suggest that some member of the Federal Reserve Board did disclose to the

Washington correspondent of the Journal of Commerce that a credit had been extended by us, to Poland. What an unfortunate thing! So far as the Bank Polski is concerned, there will be no objection to this, because the Polish Chargé telephoned to me the other day that he had received a cable from Warsaw stating that they had no objection to our giving publicity to the credit. I advised him that, since we had agreed with Dr. Mlynarski not to make any public announcement, we would prefer to let the matter rest as originally agreed upon. We all felt at the bank that it would be inadvisable at this time for us to make any announcement to the press with regard to the credit.

- 6a. As a further Washington comment, I am also sending you a memorandum of certain remarks made by Mr. Gliwic, the Polish Chargé, who was here with Dr. Mlynarski. This concerns Mr. Mellon and certain assurances which he is said to have given to a member of the Belgian Debt Commission about our readiness to extend a credit to the National Bank of Belgium when, as and if they desired it. Wow!
7. As you know, Sailer has been giving a good deal of thought to the subject of getting a new man to head our protective force. After interviewing some twenty-five prospects and discussing the matter with the members of our Board, the directors approved the idea of engaging at a salary of \$4,000 per annum a Colonel Hiram Bearss, who was most highly recommended. In our letter to the Federal Reserve Board on this subject, we carefully explained that our directors and officers felt that that department needed reorganizing and strengthening, and that the engagement of a high-class man to fill the place was necessary. Sailer had a telephone communication from Eddy to-day (8/26/25) to the effect that the Board was holding up our recommendation and wanted further particulars regarding it. I have no doubt, however, that they will presently approve.
- 7a. When Mr. Jay returns from vacation next week I think that either he or I should go to Washington, with a view to chatting over matters with Crissinger and seeing if we cannot bring about a better understanding with regard to such matters. In trying to reach Governor Crissinger by telephone last Thursday and Friday, I understood from his secretary that Crissinger was to be in New York Friday and Saturday. Naturally, we expected him to come in here. This he did not do, but in talking with Max Radt of the Capitol National Bank this morning (August 27) about his institution's line of discounts with us, I learned that Crissinger had called upon him and had spent some time in his institution.
8. I don't know whether George Harrison is writing you to-day, but in the event that he should not you will be interested to know that he has negotiated very satisfactory arrangements with the New York Clearing House Association, whereby the Association agrees to accept \$7,500 as our membership fee instead of \$22,000 (approximately) we have hitherto been paying.
9. Another matter of interest is that the Henry C. Meyer, Jr. claim, which was approved and recommended for payment by our directors for not more than \$42,500, has been settled by Sailer, to Meyer's satisfaction, for a little less than \$37,000.
10. In answer to the inquiry from the Bankovni regarding the renewal rate on their \$6,000,000 loan due July 31, we cabled them that the renewal rate would be $4\frac{1}{2}\%$, and they have replied that they will pay off one-half the loan and renew for the \$3,000,000 balance. In this connection you may be interested in looking over the attached memorandum of foreign central bank rates, as of August 25, 1925.

8/26-27/25

Paris, France.

London, England.

11. There has been no change in the System's open market portfolio, other than the sale of the September 15 certificates to meet the requirements of the Bank of England for short Treasuries. The account now stands at \$213,000,000. In view of the more or less fluctuating situation as to money rates which has recently prevailed, and your desire to have us await your return to London, I have thought it inadvisable to call a meeting of the Open Market Investment Committee. If, after your discussions in London, you think it advisable to recommend any change in our rates, it may be desirable to call a committee meeting and take such action as may then be appropriate.
12. In addition to Mr. Saunders, directors McGarrah, Reyburn and Treman were in attendance at directors' meeting to-day (August 27) for the first time in several weeks, and McGarrah and Reyburn spoke interestingly of their foreign visits and impressions. All of the directors were heartily in favor of an immediate increase in bill rates, believing that they are entirely out of line with other money rates and tend to slow up forward purchases for autumn delivery.

All of the "boys" join me in sending you their best.

Faithfully yours,



J. H. CASE.

Mr. Benj. Strong,
C/o Bank of England,
London, E. C. 2, England.

Encls. (7)

(Enc. (1)
8/26/25
to Gov. Strong

MEMBERS OF THE NOMINATING COMMITTEE
FOR NEW DIRECTOR

New York State Bankers Association

Alexander, Jas. S.)	
Baker, Stephen)	New York City
Potter, W. C.)	
Clark, M. E.	Ellenville
McKinstry, D. E.	Newburgh

New Jersey

Young, W. W.	Hoboken
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Connecticut

Wolfe, E. S.	Bridgeport
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Enc. 6 8/26/25
 To Gov. Strong
 August 25, 1925.

FOREIGN CENTRAL BANK RATES.

	<u>Present rate</u>	<u>Date fixed</u>	<u>Previous rate</u>
Amsterdam	4%	Jan. 15, 1925	4-1/2%
Athens	8-1/2	Feb. 15, 1925	7-1/2
Berlin	9	Feb. 26, 1925	10
Berne	4	July 14, 1923	3
Bombay	4	July 2, 1925	5
Brussels	5-1/2	Jan. 22, 1923	4-1/2
Bucharest	6	Sept. 4, 1920	
Budapest	9	May 27, 1925	11
Calcutta	4	July 2, 1925	5
Copenhagen	6	Aug. 24, 1925	7
Helsingfors	9	Mar. 5, 1924	10
Lisbon	9	Sept. 12, 1923	8
London	4-1/2	Aug. 6, 1925	5
Madrid	5	March 24, 1923	5-1/2
Oslo	5-1/2	Aug. 25, 1925	6
Paris	6	July 9, 1925	7
Prague	7	March 25, 1925	6
Riga	8	Feb. 16, 1924	7
Rome	7	June 18, 1925	6
Sofia	10	Aug. 31, 1924	7
Stockholm	5	July 23, 1925	5-1/2
Tokio	7.3	April 15, 1925	8
Vienna	10	July 23, 1925	11
Warsaw (gold)	10	Nov. 29, 1924	12 (gold)

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 29, 1928 1928TO Governor StrongSUBJECT: BELGIAN CREDITSFROM J. H. Case

For your information I am enclosing a copy of a communication from Governor Crissinger, of the Federal Reserve Board, addressed to me under date of April 27, together with a copy of my reply of even date.

*[see
Answer]*

Encls. (2)

FEDERAL RESERVE BANK
OF NEW YORK

June 8, 1926.

My dear Governor:

The street was treated to a real surprise this morning, which has lasted all day, in the announcement of the Treasury that no offer of Government securities would be made on June 15 next.

The effect of this announcement was to create a real vacuum in the Government security market, accompanied by rising prices all along the line, with the market very bare of any sizeable offerings. I am enclosing a clipping from today's Evening Sun, which contains some interesting comments concerning the Treasury's program.

As you will recall, we had in the Open Market Account some \$36,000,000 of Treasury certificates maturing on the 15th, plus \$14,000,000 for account of foreign correspondents, plus \$30,000,000 in the Alien Property Custodian account, a total of \$80,000,000. In each instance, forward purchases have been made to cover current maturities, with the exception that there is still \$10,000,000 to cover in the Open Market Account.

Mr. Dewey has given me a resume of what the Treasury's position will be on and immediately following the quarterly tax date settlements. Roughly, the Treasury has maturing on that day a total of \$333,000,000 of certificates

Less amount of such certificates to be turned in by J. P. Morgan & Co. for account of British Debt settlement	<u>67,000,000</u>
Leaving an amount to be met by the Treasury of about	\$266,000,000
Interest to be paid on Government obligations (about).....	<u>80,000,000</u>
Total to be redeemed and paid	(about)..... \$346,000,000

On the credit side of the picture, the Treasury expects approximately \$420,000,000 in income tax payments between June 15 and 19th, which while resulting in a large temporary overdraft here on June 15, will in turn give them a credit balance in the Federal reserve banks of approximately \$80,000,000 by Monday, June 21. I am proposing to leave until that date the matter of repurchasing the balance of \$10,000,000 now maturing in the Open Market Account. In this connection I am calling a meeting of the Open Market Committee on June 21 which, after consultation with the Committee, is to be held either in New York or Washington, whichever place proves to be more acceptable to Mr. Platt who (in the absence of Governor Crissinger) is carrying on for the Federal Reserve Board. The Committee were unanimously in favor of replacing the full amount of our June maturities in the open market account, but agreed that it may be well to leave in abeyance a moderate amount, say \$10,000,000 or thereabouts to be replaced during the week beginning June 21.

Another thing that we have in mind for discussion is the fact that the end of June (as well as the end of December) is growing to be a window-dressing area, and it may well prove to be desirable to make some temporary purchases during the latter part of June to meet this situation.

As Dr. Burgess is furnishing you with a resume of the news at the close of each week, and as Miss Bleecker tells me she sends you a rather complete list of newspaper clippings and reviews, there is very little additional in the way of bank news to comment upon.

One item, however, in which you will be interested is that the Pascagoula case was definitely settled yesterday by a decision of the United States Supreme Court declining to review the decision of the lower courts in this case, so that the validity of the par collection of checks in the Federal Reserve System appears to be finally and definitely settled.

You may be interested to know that with the admission of Warburg's International Acceptance Securities & Trust Company, we now have a total of 900 members in this district, and Burgess prepared for publication a little article commenting

upon this and showing the estimated resources of the member banks in this district. You may wish to review the article in question, and I am therefore enclosing a copy herewith.

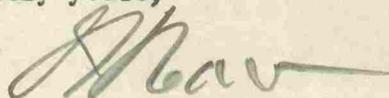
Herson and his examining force appeared at the bank at the close of business on Saturday, May 29, making an examination as of that date. They had upwards of $3\frac{1}{2}$ billion dollars in securities and cash to verify here in the bank, in addition to our balances in the Gold Settlement Fund and elsewhere. Herson reports that generally he found things in excellent shape, with very little indeed to criticise. I think the general atmosphere in that quarter is greatly improved.

I am glad that you have found so delightful a place to rest as the little village along the French Riviera, and certainly hope that it will do you a lot of good.

Messrs. Jay, Harrison and I enjoyed very much reading your several letters bearing date of May 15, 1926, written on board the Aquitania, in which you so interestingly review the program of Indian currency, the strike in Great Britain, and your comments about Poland and France. This all makes a splendid record for our files.

With kindest regards, I am

Sincerely yours,



J. H. CASE.

Benj. Strong, Esq.,
C/o The Bank of England,
London, E.C. 2,
England.

Encs.

Mr. Case

FEDERAL RESERVE BANK
OF NEW YORK

Government Bond
Department

[Circular No. 726]
[June 8, 1926]

No Offering of Government Securities
on June 15, 1926

*To all Banks, Trust Companies, Savings Banks, Bankers, Investment Dealers,
Principal Corporations and Others Concerned in the Second Federal Reserve District:*

Secretary Mellon today made the following announcement:

“The Treasury will make no offering of Government obligations for sale on June 15, 1926. This departure from the usual procedure on the quarterly tax payment dates has been made possible on account of the increase in income tax and other receipts over earlier expectations, and the fact that the aggregate public debt maturities due June 15 are somewhat less than usual.

“The amount of taxes to be received in June together with the balances now on hand is expected to be sufficient to meet the Treasury’s cash requirements until September, when further financing will be necessary.”

Very truly yours,

BENJ. STRONG,

Governor

FEDERAL RESERVE BANK
OF NEW YORK

June 24, 1926.

Dear Governor Strong:

This is in reply to your note of June 8, with regard to the sale to Messrs. J. P. Morgan & Company of \$35,400,000 of June 15 certificates for delivery June 14.

As you will readily appreciate, this transaction was made at the request of the Treasury Department to enable Messrs. Morgan & Company to make the British debt settlement on June 15 of \$69,000,000 wholly in June 15 certificates. While the record of the Officers' Meeting of May 24 fails to show that this transaction was submitted to the members of the Open Market Committee, it was, nevertheless, taken up with them at that time, accompanied by the suggestion that the full amount of our June 15 maturities should be replaced by other short-term Governments, and the approval of the members of the Open Market Committee to the sale and repurchases was duly incorporated in the minutes of the Open Market Investment Committee meeting, a copy of which was sent forward to each member under date of May 24.

The program of the Treasury for June 15 to omit their usual Treasury offering on that date, proved to be a big surprise to the market. No one apparently anticipated such action, and as you can well imagine, there immediately ensued a wild scramble on the part of those who had maturing obligations. We had anticipated this in the bank, and had covered by forward purchases our requirements of \$36,000,000, plus \$14,000,000 for foreign account, and some \$30,000,000 for the Alien Property Custodian fund. We were very fortunate, under these conditions, to be able to accumulate this total of \$80,000,000 of Governments, but as the Treasury substituted Third Liberty Loan bonds to replace the maturities in the Alien Property

Custodian account, it made the operation possible.

For the past week or so, I have been giving considerable thought to the semi-annual settlement day, June 30, because of the fact that our banks generally are inclined to show a clean balance sheet at that time, so far as borrowing from the Federal Reserve Bank is concerned. I have chatted this over with Mr. Winston and he has agreed to immediately reinvest all surplus funds as fast as they accumulate in the Federal Reserve Bank, so as to avoid any jam in the money market arising from that quarter. I also discussed the question with the members of the Open Market Committee. They agreed with me that it was desirable to have a meeting of the Committee this week, which was held in Washington on Monday, June 21.

Perhaps the best report I can make of that meeting is to enclose a copy of the minutes of the meeting, which is being forwarded to each member of the Committee today. There were three members of the Board present, the only available members in Washington. Miller, as you know, is abroad on vacation, while Crissinger and Cunningham were away ill. We had a very harmonious meeting; I found that Mr. Hamlin was quite sympathetic to my proposal that we have authority to make additional purchases up to \$50,000,000 over the June 30 period, with the understanding that the securities so purchased would be liquidated in orderly fashion as market conditions warrant.

Money conditions this week have remained fairly comfortable, call money ruling at $4\frac{1}{4}\%$, so that it has not been necessary to make any purchases under this authorization as yet, but I have \$25,000,000 available for delivery next week, when it seems certain that money will be ruling at from 5 to 6%.

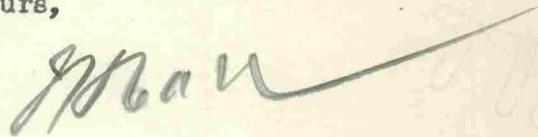
By referring back to about a year ago, I find that during the last week of June there was something more than \$100,000,000 of street loans called by the rest of the country, and that our loans went up the last few days of the month by about \$125,000,000. Fortunately, the desire to window-dress at the end of June is not as strong as at the end of December, but in the event of heavy out-of-town calls the

first of the week, I propose to see that such loans are spread among several of the larger banks here rather than to see them taken over by any one institution.

Just before you went away, we discussed the record being made by the Treasury in borrowing money from us temporarily at tax periods at 2%, while we were paying a much higher rate to our banks for securities temporarily sold them from the open market account. I had a word with Mr. Winston about this just before he went away, and have held the matter up until his return, when we could incorporate in the picture just what happened on June 15. I sent him a letter yesterday, accompanied by a carefully prepared memorandum, discussing the philosophy surrounding the Treasury's temporary borrowings. In principle, it seems to me that they should pay the lowest-going rate of funds at each quarterly period, rather than having any automatic arrangement which does not permit of any discretion being used. I am enclosing a copy of this letter and memorandum for your information.

Trusting that you are having a good rest, and with best regards, I am,

Sincerely yours,



Benj. Strong, Esq.,
c/o Bank of England,
London, England.

Encs.

FEDERAL RESERVE BANK
OF NEW YORK

CONFIRMATION OF CABLEGRAM

WE HEREBY CONFIRM OUR CABLEGRAM OF THIS DAY, WHICH DECODED SHOULD READ AS FOLLOWS:

New York City, N.Y.

July 17, 1926.

Bank of England,
London, England

STRICTLY CONFIDENTIAL FOR GOVERNOR STRONG:

Testword OK #35

- One. Temporary credit demands for funds due to midyear and holiday discussed in our #31 have now passed as indicated by
- (a) Our loans to New York banks reduced to 98 million
 - (b) Our earning assets 261 million and system 1147 million
 - (c) Call money rate reduced from 4 1/2 per cent to 4 per cent Thursday
- Two. The period of 4 1/2 per cent call money for the past two weeks has been followed by some firming of other rates. Time money 4 1/2 compared with 4 1/4 in latter part of June. Bills still 3 3/8 and Commercial paper 4 but tendency of both firmer
- Three. Directors yesterday reported business very active and prospects excellent for immediate future. This view supported by other evidence
- Four. New York banks report some increase in borrowing by commercial customers

FEDERAL RESERVE BANK
OF NEW YORK

CONFIRMATION OF CABLEGRAM

WE HEREBY CONFIRM OUR CABLEGRAM OF THIS DAY, WHICH DECODED SHOULD READ AS FOLLOWS:

- 2 -

- Five. Stock prices gradually working higher with some interruptions
- Six. Recent reports appear to indicate farmers' income this year will be larger than in 1925
- Seven. In view of foregoing directors discussed discount policy yesterday but saw no reason at present for change.
- Eight. It is clear we are starting period of seasonal increase in credit demands with higher open market rates than last year and
- Nine. Problem of rate change may face us earlier and more insistently than last year
- Ten. Bankers Trust Company of Atlanta Manleys Institution has closed carrying with it 89 of 190 Witham banks 74 failed in Georgia out of 126 in Witham chain 15 in Florida out of 64 in chain. More failures probable
- Eleven. Immediate reasons for failure is inability of Florida banks to meet deposit withdrawals because funds were tied up in Witham system
- Twelve. Of 10 banks in this district formerly in Witham system all but 3 are practically free from Witham paper
- Thirteen. Of the three one is a non-member state bank quite heavily involved and other two are nationals but situation has not yet aroused any perceptible public apprehension locally

FEDERAL RESERVE BANK
OF NEW YORK

CONFIRMATION OF CABLEGRAM

WE HEREBY CONFIRM OUR CABLEGRAM OF THIS DAY, WHICH DECODED SHOULD READ AS FOLLOWS:

- 3 -

Fourteen. Lins again offered positions executive Vice President Montclair Trust Company at 50 per cent increase in salary. He will probably accept effective September 1st. Will cable suggestion for successor in a few days.

Fifteen. Charles S Hamlin expresses grateful thanks for your congratulations

J H CASE

July 19, 1926.

Dear Governor:

Your two letters of June 29 are here, also your cable of July 10.

It is a pleasure to know that you are beginning to feel so much better, although I should scarcely think that your sojourn in Europe could by any stretch of the imagination be considered a real rest.

Your letters to Harrison and the memoranda assembled and forwarded by Warren have been most interesting, and should provide the necessary background for us in the event that we were called upon to do anything in the way of establishing credit for the Bank of France. Certainly that picture is complicated enough at the moment, and now looks as though all action may be long deferred.

I am sorry that the newspaper writers have been getting after you so actively of late, but it does not appear that it can be helped.

I have read your proposed letter to Jackson Reynolds, and while it is an interesting epistle, I am glad that you decided not to send it. Differences of this sort are much more likely to be reconciled when carried on by word of mouth, and I am sure that this method is the best way to handle this particular situation. Then too, I think that the letter emphasizes too much his unusual advances to the street at the end of the year or at periods of tight money, and does not stress enough that he is too heavy and too steady a borrower when conditions are fairly normal. Last week, for instance, the Clearing House banks were borrowing from us about \$90,000,000, \$50,000,000 of which was to the First National. It is now down to \$30,000,000.

I have made a little resume of the day to day position of this bank from the first of December to date (copy enclosed) and you will see that the reason for borrowing is not because of any excessive street loans, which a good part of the time are practically negligible, but rather result from what appears to be a deliberate policy of theirs to meet any shrinkage in deposits by borrowing here rather than by realizing on their own assets. Their security account, for instance, has been very stable at about \$250,000,000 since the first of last December, and the last examination report shows that the bank was loaning the First Security Company some \$22,000,000 against securities, making their direct and indirect security holdings over \$250,000,000. It seems clear that what they are really doing is to use our money to finance security purchases on a large scale under normal conditions, while it is only occasionally that they borrow for the purpose of lending funds on the street.

I cabled you Saturday a resume of the credit situation, and am now enclosing with this a memorandum prepared by Dr. Burgess, which is most illuminating in that it makes a comparison with conditions of three months, six months and a year ago.

Several of the directors (Mr. Young notably) have expressed a deep interest in the changes which have taken place, and have asked our views concerning the possible necessity of a rate increase this autumn. This memorandum was submitted to each one of the directors on Thursday, and they unanimously concurred in the recommendation of the officers that there be no change in our discount rate at present.

The stock market is very active, interest centering particularly in two Morgan stocks - U. S. Steel and General Motors. Both are selling at new highs for all time.

I also mentioned in my cable the break which has occurred in the Witham chain of banks in Georgia and Florida. I think it is more than likely that there are still others in that section that will have to go, as these failures have natural-

ly created a great deal of uneasiness in the South. Thanks to our action several years ago, the ten Witham banks in this district (on which I am enclosing a comparative report) have within the past three years reduced their line from \$3,238,000 to approximately \$550,000, although the Lodi, N. J., Trust Company, a nonmember institution, is reported to have such loans to an amount in excess of \$400,000. These national banks tell us that they have not felt any appreciable repercussion as yet from the Georgia failures, but I am satisfied that we have a situation with these banks which must be watched very closely.

As mentioned in my cable, Mr. Lins has again been approached by the Montclair Trust Company people to accept the position of executive vice president at a salary of \$18,000 a year, and he is pretty definitely determined to accept it. I think the matter is practically closed; Mr. Lincoln Adams who talked with me about it, stated that the matter was about settled and that they were only waiting to communicate with one or two of their directors who were absent. Unfortunately, Lins' place is not an easy one to fill from our present organization, because the only persons here that have had actual credit experience are some of the younger element, such as Furman and Aumack, who, of course, do not carry heavy enough guns. Jay, Gidney and I have had a long discussion about the matter, and after canvassing the whole situation, we are inclined to think that Herbert Downs is the most available man we have in the bank. He appears to have real credit sense and has done excellent work in making credit investigations of applicants for new banks. Moreover, he has a very wide acquaintance with our country bank officers, is well liked by them, and while he has a gracious way of dealing with them, he appears to be firm and sound in his judgment.

We are now well into the summer vacation period, and while things are relatively quiet here at the bank, those of us who are on the job have been kept fairly busy.

My best to you.

Sincerely yours,

Benj. Strong, Esq.,
of The Bank of England,
London, England.

Memorandum on the Credit Situation

Since last week our loans to New York City banks have been reduced from 191 million dollars to 109 million and there is prospect of further reductions during the balance of this week and next week. Total earning assets of the system have shown corresponding reductions. The immediate credit stringency thus appears to be past. As to the general credit situation and its bearing on our policy in the coming two or three months, the following comments may be made:

Money Rates.

We are entering upon the period of fall increase in credit demands at a somewhat higher rate level than prevailed a year ago. The figures for a year ago, dated just prior to our two most recent rate increases, and yesterday, are shown in the following table:

	<u>July 13, 1925</u>	<u>Jan. 6, 1926</u>	<u>Apr. 21, 1926</u>	<u>July 14, 1926</u>
Our rate	3 1/2	3 1/2	4	3 1/2
Commercial paper	3 3/4-4	4 1/4-4 1/2	4 1/4-4 1/2	4
90-day bills	3 1/4	3 1/2	3 1/2	3 3/8
90-day time loans	4	4 7/8	4 1/4	4 1/2
Call loans, typical for week	4	4 1/2	4 1/4	4 1/2

There is now a tendency toward higher open market rates which will be accentuated as the fall demand for funds comes on. There will, therefore, be a tendency for open market rates to get out of adjustment with our discount rate unless this tendency is offset by open market purchases of securities.

Volume of Credit

Member banks. Total loans and investments of reporting member banks are approximately one billion dollars larger than a year ago. This is an increase of between 5 and 6 per cent and may be compared with a typical year to year increase of 7 per cent for the past 50 years. The makeup of member bank credit is shown in the following table:

(In millions of dollars)

	<u>July 8, 1925</u>	<u>Jan. 6, 1926</u>	<u>Apr. 21, 1926</u>	<u>July 7, 1926</u>
<u>All Reporting Member Banks</u>				
Commercial loans	8,188	8,492	8,608	8,525
Loans on stocks and bonds	5,092	5,263 ⁶³²	5,263	5,533
Investments	<u>5,498</u>	<u>5,679⁴⁴⁴</u>	<u>5,579</u>	<u>5,653</u>
Total loans and investments	18,778	19,824	19,450	19,711

Federal Reserve Banks. Total bills and securities of the Federal Reserve System in July 1925 showed a daily average figure of 1065 million dollars. The figures thus far available for July 1926 appear to indicate a probable average level between 100 and 150 million larger than a year ago, an increase slightly larger than has been the case so far this year. In addition to this increase in Federal Reserve credit the country's gold stock has been increased approximately 100 million dollars since a year ago, although this increase has been partly offset by an increase of \$25,000,000 in the amount of gold earmarked in the Federal Reserve Bank of New York. The change in makeup of Federal Reserve credit as compared with a year ago and more recent periods is as follows:

(In millions of dollars)

	<u>July 8, 1925</u>	<u>Jan. 6, 1926</u>	<u>Apr. 21, 1926</u>	<u>July 7, 1926</u>
<u>Federal Reserve Banks</u>				
Bills discounted	450	593	450	556
Bills purchased	241	345	229	228
U. S. securities	<u>339</u>	<u>359</u>	<u>389</u>	<u>389</u>
Total bills and securities*	1,043	1,318	1,081	1,173

*Includes other securities and foreign loans on gold.

In general the increase since a year ago in the volume of credit does not appear to be seriously out of line with the normal growth due to the growth of trade. No indication of a lack of adjustment between credit and trade appears in commodity prices, although there is possible evidence of such lack of adjustment in prices of securities and real estate.

Quality of credit.

As shown in the table for reporting member banks, approximately half of the increase in credit since a year ago is in loans on stocks and bonds, and these loans are now about as large as they were in February, when the spring high point of stock prices was reached. Loans to brokers and dealers in New York City, however, continue about 650 million dollars less than in February. This difference would appear to indicate that stocks are now being carried more largely by direct loans to individuals rather than by loans to brokers. They may also indicate a somewhat wider distribution of stock ownership, or distribution into stronger hands. This volume of credit supports stock prices, which are not far from the prices of last February. The volume of trading is heavy but not quite as large as last fall or in March.

The category of loans to show the second largest increase is the so-called commercial loans, which include loans by banks to finance companies as well as direct loans to businesses or individuals. There is no way of knowing how much of this increase consists of loans to finance companies.

There is also an increase of over 150 million in bank investments.

The change in the use of credit since a year ago may be summarized by saying that in spite of active business there does not appear to have been any large increase in the amount of credit required for carrying inventories, advancing wages, or other such increases which in the past have usually accompanied this

stage of the business cycle. Instead additional supplies of credit appear to be utilized for increased prices of stocks and bonds, new issues of securities, some new business enterprises, and installment buying.

The examinations which are currently made of the loans and investments of member banks do not reveal in general the unwise use of credit, although the consequences are now being felt in certain quarters of too large advances for enterprises connected with real estate.

Movement of Funds.

So far this year there has been an import balance of gold amounting to about 80 million dollars. At present the relative position of money rates in New York and London is so closely balanced that there is little tendency for funds to flow in either direction. The tendency in both centers will be for firmer rates during the fall, but if rates should grow firmer more rapidly here than in London, the tendency would be to stimulate a gold movement in this direction. A pull of funds toward this country this fall might be very embarrassing for London and some of the European centers.

FEDERAL RESERVE BANK
OF NEW YORK

July 30, 1926.

Dear Governor Strong:

I have your letter of July 16, which refers to the enclosed copy of letter (X-4629) written to the Governors of all the Federal reserve banks by Governor Crissinger of the Federal Reserve Board, approving the recommendation of the Open Market Committee that Third Liberty Loan bonds be included in those covered by the repurchase agreement practice.

I appreciate the viewpoint you express with regard to the minds of the Board, and am sorry that you do not agree with the procedure.

The facts are that following the adjournment of the Open Market Committee in Washington on June 21, Governor McDougal called all the members of the Committee together, and said that he had overlooked bringing up this matter at the formal meeting with the Board, but that he had mentioned it informally to Messrs. Hamlin and James, who were still in the room. McDougal stated that they agreed with the rest of us that there could be no possible objection to this procedure, but for the sake of the records they all thought it was desirable that it should be presented formally to the Board.

Since the receipt of your letter, I have reviewed what took place at the period preceding the Victory note maturity. The records show that I had several discussions with Undersecretary Gilbert concerning the matter, who at that time, as I recall it, was very desirous of having all the Federal reserve banks extend the repurchase agreement to Victory notes, so that following our discussion I sent him a telegram about it under date of January 31, 1922, to which he replied by letter under that date, saying that he was asking Governor Harding of the Federal Reserve Board for a statement of the views of the Board before making a request of

the Federal Reserve Banks; whereupon Governor Harding, under date of February 2, 1922, (X-3317) wrote all the Federal reserve banks that the Federal Reserve Board would not object to any arrangement of that character. I am enclosing copies of this correspondence herewith.

We are now in the season of midsummer dullness, and we learned yesterday at the Board meeting that many of the directors will be away through the month of August. As Mr. Jay and all of the Deputy Governors are on the job, the opinion was expressed that there was no reason why I should not take a few weeks' vacation, so I am planning to leave tomorrow night to take Mrs. Case and my family to the White Mountains. My address there is Hotel Waumbek, Jefferson, New Hampshire.

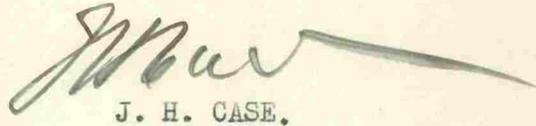
Mr. McKay of Chicago was in today, and he tells me that he very recently learned that Mr. Cunningham of the Board, who is still at John Hopkins, is a very sick man, that his weight is down to about 112 pounds and they do not appear to be very optimistic about his recovery. Governor Crissinger is still a sick man, although he is able to spend some time in his office.

As you have recently been advised by both Dr. Burgess and me, money conditions have worked a bit higher, and if market conditions this year follow the usual seasonal trend, there will be a substantial amount of additional Federal reserve credit called into play within the next few weeks. Personally, I have the feeling that we should be giving active consideration to the idea of moving our discount rate back to 4%. The wave of pessimism that we had in the Spring on the theory that we would have a marked recession in business, is entirely passed. The stock market is booming, and such stocks as General Motors, U. S. Steel, Allied Chemicals and a few others are way beyond the high points of last Spring. Commodity prices have remained fairly stable, and as our clearing house banks now owe us a little in excess of \$100,000,000, with possibilities of a much larger amount this autumn, I am of the opinion that a 4% rate is clearly indicated.

Trusting that you will have a restful and enjoyable time during the
balance of your stay abroad, I am,

With Best Regards,

Sincerely yours,



J. H. CASE.

Benj. Strong, Esq.,
c/o The Bank of England,
London, E. C. 2,
England.

Encs.

**FEDERAL RESERVE BANK
OF NEW YORK**

December 22, 1926.

CONFIDENTIAL

Dear Governor Strong:

We had a regular "field day" here at the bank all day Monday, the date of the directors' and officers' dinner to Mr. Jay. Among those present were Governor Crissinger, Mr. Platt, Mr. Hamlin and Mr. Miller, of the Federal Reserve Board, most of our directors, and a goodly number of the chairmen and governors of the other Federal reserve banks.

It seemed an opportune time for an Open Market Investment Committee meeting, but as Governor Crissinger advised me that the minutes of the Federal Reserve Board meetings contained a resolution that meetings of the Open Market Investment Committee were not to be held anywhere but in Washington, unless with the Board's consent, and as there was a division of opinion (three to three) as to holding one here, he thought we should do no more than to have an informal discussion in any event. We had a very careful comparative survey (charts enclosed) made by Dr. Burgess, of what had happened during the last two weeks each of 1924 and 1925, bringing it up to date for comparison. I am also enclosing an extract from our Board of Directors meeting of December 16, on this subject.

Roughly, the three factors with which we have to reckon are:

1. Treasury Account - they expect this week to accumulate \$100,000,000 in the Federal reserve banks, with the probability that they cannot reinvest more than \$25,000,000 to \$40,000,000, although they are prepared to go higher if Third Liberty Loan bonds can be obtained within their price range.
2. Additional (seasonal) currency requirements which we estimate will amount to \$150,000,000 or so for the country, and about \$50,000,000 for this district.
3. The customary "window-dressing" by corporations and banks throughout the country, which runs into large figures.

12/22/26

Mr. Benj. Strong

With regard to the last item, I think I have already explained to you that I have talked with the presidents of some seven or eight of the more important banks with regard to their assisting in the care of that situation this year by having them agree to go into the market, if money tightens up too much, and take over \$25,000,000 or so of loans and thereupon borrow here. I find them quite agreeable to do this if it should prove to be necessary.

At the Executive Committee meeting Monday afternoon, we had an informal but most interesting discussion concerning year-end adjustments. For the first time, so far as I can recall, our directors, members of the Federal Reserve Board, and officers of other Federal reserve banks were present. Every one expressed his views, and while a number felt it might be well to test out the situation by making no open market purchases, I think I am safe in saying that the majority believed it would be well for us to buy \$50,000,000 or thereabouts, with a view to taking off the "peak" and then to resell them early in January. Governor Crissinger promised to bring the discussion of the situation to the attention of the Federal Reserve Board yesterday, December 21, and let me know promptly just how they felt about it. Up to the present time (noon) I have not heard from him, but I shall ask him about it in the morning.

All business in the bank on Monday, so far as this floor was concerned, made way for our party to Jay. We had a splendid time with our visitors and at the dinner to him on Monday evening. All talks - including my own - were good! The directors presented Jay with a beautifully illuminated tribute in the form of a resolution. (See copy of the resolution, enclosed.) At the conclusion of my talk, I read and handed Jay your personal letter, and, in the name of the directors and officers of the bank, presented to Jay the beautiful ivory humidor which had been selected as our gift to him. With the thought that you might be interested in my

12/22/26

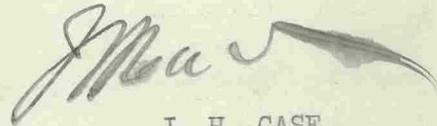
Mr. Benj. Strong.

was
talk (which from the officers' standpoint), I am enclosing a copy of it.

I sincerely hope you will have a bully good rest and will soon regain your strength. When you are a bit stronger, I shall want to talk with you about some of our organization problems.

All the officers join me in sending you our very best.

Faithfully yours,



J. H. CASE.

Mr. Benj. Strong,
Broadmoor,
Colorado Springs, Col.

Encls.(5)

Guests who attended dinner

Honorable S. Parker Gilbert	Agent General for Reparation Payments
Honorable Ogden L. Mills	Congressman from New York and appointed Under Secretary of the Treasury
Honorable R. C. Leffingwell	Formerly Assistant Secretary of the Treasury and J. P. Morgan partner
Honorable D. R. Crissinger	Governor, Federal Reserve Board
Honorable Edmund Platt	Vice Governor, Federal Reserve Board
Honorable Charles S. Hamlin	Member, Federal Reserve Board
Mr. E. A. Goldenweiser	Acting Director, Division of Research and Statistics, Federal Reserve Board

Ex-members of Federal Reserve Board

Honorable Paul M. Warburg	Chairman, International Acceptance Bank
Honorable Albert Strauss	Seligman & Company
Honorable Carter Glass	Senator
Honorable David F. Houston	Financial Vice President, American Telephone & Telegraph
Honorable Frederick A. Delano	Receiver for U. S. Supreme Court in extensive litigation, etc.
Dr. W. W. Stewart	Formerly, Director, Division of Research and Statistics, Federal Reserve Board.

Deputy Comptroller of the Currency

Honorable Charles W. Collins

Directors, Federal Reserve Bank of New York

Samuel W. Reyburn	Pres., Associated Dry Goods Corp., and Lord & Taylor
Delmer Runkle	Pres., Peoples National Bank, Hoosick Falls, N.Y.
W. L. Saunders	Chairman, Ingersoll-Rand Company
Robert H. Treman	Pres., The Tompkins County Nat'l Bank, Ithaca, N.Y.
Clarence M. Woolley	Chairman, American Radiator Company
Theodore F. Whitmarsh	Pres., Francis H. Leggett & Company
Hon. Owen D. Young	Chairman, General Electric Company

Ex-Directors, Federal Reserve Bank of New York

James S. Alexander	Chairman, National Bank of Commerce
Gates W. McGarran	Chairman, Exec. Comm., Chase National Bank and Director of the Reichsbank
George Foster Peabody	Retired banker
Charles Smith	Pres., Citizens National Bank & Tr. Co., Oneonta, N.Y.
Frank L. Stevens	Pres., Stevens & Thompson, Inc., Manufacturers of Paper
Charles A. Stone	Chairman, Stone & Webster, Inc., and Director, American International Corporation
William Woodward	President & Director, Hanover National Bank

Buffalo Branch Directors

W. W. Schneckenburger
Frank W. Crendall
John A. Kloopfer
Elliott C. McDougal
Harry T. Ramsdell

Managing Director, Buffalo Branch, F.R.B. of N.Y.
President, National Bank of Westfield, N.Y.
President, Liberty Bank of Buffalo, N. Y.
President, Marine Trust Company, Buffalo, N. Y.
Chairman, Manufacturers & Traders Trust Company,
Buffalo

Federal Reserve Bank of New York

J. Herbert Case
Louis F. Sailer
George L. Harrison
Edwin R. Kenzel
Dr. W. Randolph Burgess
L. Randolph Mason
J. H. Philbin

Deputy Governor, F. R. B. of N. Y.
" " " " " "
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Assistant Federal Reserve Agent
General Counsel
Assistant General Counsel and Secretary

James F. Curtis

Formerly Deputy Governor, F. R. B. of N. Y.
Member law firm, Curtis, Fosdick and Belknap

Chairmen

~~Frederic H. Curtiss~~
Pierre Jay
R. L. Austin
Geo. DeCamp
W. W. Hoxton
Wm. A. Heath
Wm. McC. Martin
John R. Mitchell
Isaac B. Newton

Governors

-
-
Geo. W. Norris
E. R. Fancher
Geo. J. Seay
~~J. B. McDougal~~
-
-
J. U. Calkins

Federal Reserve Bank of

Boston
New York
Philadelphia
Cleveland
Richmond
Chicago
St. Louis
Minneapolis
San Francisco

Honorable George V. McLaughlin
~~Honorable Frank H. Warder~~
Honorable Owen T. Reeves, Jr.

Formerly Superintendent, State of N.Y. Banking Dept.
President " " " " "
Chief National Bank Examiner, Second Federal
Reserve District

The officers of the bank approach this occasion with mixed emotions.

Mr. Jay has so long been our guide, philosopher and friend of the officers of the bank that we are just beginning fully to realize how much we shall miss him. As we think of our loss, we are sad. But our loss is Europe's gain, and as we recognize the tremendous importance of the position to which he has been appointed, and the increased opportunity it will afford him for splendid achievement, we try to reconcile ourselves to the inevitable. In any event, it is true that Mr. Jay's associates in the Officers' Council take his departure very seriously.

Only this morning the members of the Council were so much interested in this evening's affair that they volunteered to dictate my speech, or, rather, my two speeches. Their idea was something like this: that I should prepare two distinct and radically different speeches and exercise my discretion at this moment as to which one I should use. Their feeling was that if Governor Crissinger, Mr. Tremen, Mr. Young and Mr. Gilbert failed to laud Mr. Jay sufficiently, I should use speech No. 1 and do a real job. If, on the other hand, the first four speakers were properly eulogistic, I was to use speech No. 2 - and tell the truth! Something tells me that speech No. 2 is clearly indicated.

The speakers who have preceded me have very eloquently emphasized Mr. Jay's statesmanlike qualities - his great ability, his sagacity, his kindness and tact - and their praise has been sweet music in our ears. Yet, after all, I submit that the time is come when the friends who have actually lived with him all these years should reveal some of the lovable idiosyncrasies which make up that really intimate side which eulogies never touch at all. We feel this all the more strongly because of Mr. Gilbert's presence here this evening. If he were to go away with nothing but the kindly and laudatory remarks of the preceding speakers in his mind, he might be so overawed that he would die of shock when he first heard Mr. Jay indulge in a little apt profanity - a little-suspected accomplishment that he occasionally exhibits with results refreshing to all.

It is to avoid this that the Officers feel that this is the time for me to give you the "lowdown" on him. We have always felt that a great deal of Mr. Jay's charm lay in his modesty. We want to help him keep it.

Characteristics:

One of Mr. Jay's characteristics is thoroughness, but sometimes even this can be carried to extremes. I remember one occasion, several years ago, when Shepard Morgan, who was then Mr. Jay's assistant, burst into my room and complained despairingly: "Pierre Jay is an uncompromising idealist; he is not satisfied with perfection but must have 'perfection plus'." Well, this is just one of the idiosyncrasies that we have had to stand, and yet there you get the measure of the standard to which we have had to subscribe. Could there be a higher ideal? Some one has said that "genius is the infinite capacity for taking pains". If this is so, then Pierre Jay is a true genius.

Hospitality:

Another of Mr. Jay's well-known characteristics is his sociable and hospitable nature. I recall a day, a year or so ago, during the extremely cold weather, when Mr. Jay was expecting a distinguished visitor. In order to provide a warm welcome for his guest, Mr. Jay set about building a cheery woodfire in his grate. But alas! What did he do but light the fire without opening the damper! Billows of smoke choked the tenth floor; Mr. Sailer directed a bucket brigade which promptly appeared, prepared to souse anything that looked red, and Mr. Jay's guest after a momentary effort to disregard the thick fumes, tearfully asked the way to the vaults.

New Buildings:

Mr. Jay was indeed the "uncompromising idealist" - a very Spartan - in matters dealing with the furnishings of the new building. Serving as Vice Chairman of the Building Committee, he scrutinized every item with such care that he nearly broke the hearts of the architects and Mr. Sailer by insisting that an unusually fine desk, similar to one installed in Governor Strong's room, be removed from his office, and an ordinary, plain desk, similar to those used by the Deputy Governors, be substituted.

Reluctantly, Mr. Sailer had the desk removed. But, in the matter of the directors' table, which also came under Mr. Jay's ban, and which was the one thing that the architects (figuratively speaking) wanted to "spread themselves on", we took a firm stand and the table remained.

Clock in Officers' old dining room:

Some of you will remember the dining room which we had fixed up on the thirty-third floor of the Equitable Building, with service from the Bankers Club. This room was most simply furnished. Mr. Sailer had a rather elaborate clock installed; it disappeared. Then began a parade of clocks, each one appearing and disappearing as strangely as the Cheshire Cat's grin, until we had had a total by actual count, of seven, before one was found that complied with Mr. Jay's idea of simplicity. The cost of the clock finally approved, was, as I recall it, some \$33. But a certain jovial cynic whispered that it looked like thirty cents.

Helpful Use of His Pencil:

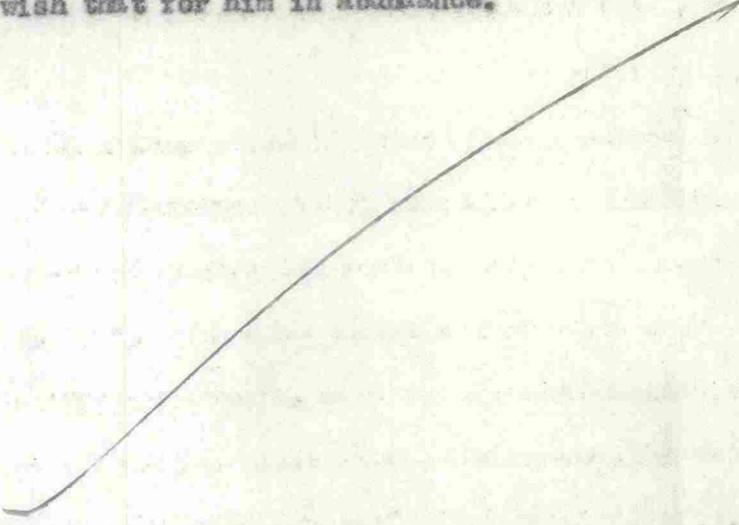
Mr. Jay is a past master of the King's English; and on many occasions we would go to him to have him smooth out a difficult situation with which we were dealing. Out would come his pencil - short, stubby, seldom with much of a point to it, but sharp enough to draw the fine lines and delicate shades of meaning that we needed when re-vamping or rearranging an important "screed".

Conclusion:

Pierre Jay has put more into the bank than he can ever take out of it. He has always been ready to do more than his share and to go the second mile. He has put into it his own personal magnetism, his sincerity, his devotion to the interests of the System, his judgment, knowledge and high purpose, and the bank is a better place because of him. The officers always knew where to find him; I have been in the bank some nine years and have yet to hear anyone say a word about him that was not kind.

We are proud of what Mr. Jay has accomplished. We are proud that Mr. Gilbert has seen fit to walk into our garden and take away our prize gardener to help him in cultivating perhaps more difficult acres. We hope that in his new environment Mr. Jay,

like the true gardener he is, will find just where to plant the fine seed, just where to dig for happiness. We wish that for him in abundance!



At their meeting on December 16, 1928 the Directors of the Federal Reserve Bank of New York adopted the following tribute:

From the date of its organization, more than twelve years ago, Pierre Jay has served the Federal Reserve Bank of New York as Chairman of the Board and Federal Reserve Agent. He is now resigning to become the American Member of the Transfer Committee under the Dawes Plan.

As an officer of the bank and as a representative of the Federal Reserve Board he has achieved a unique position as a wise councillor and a tactful leader.

He has presided at the meetings of the directors with dignity and a sympathetic understanding of varying points of view. He has contributed to the discussions a comprehensive knowledge of the affairs of the bank, and a clear insight into its problems.

In the broad field of policy he has exerted, by his scholarly analysis of Federal Reserve problems and his quiet diplomacy, a large influence upon the recorded decisions and the unwritten tradition of the Federal Reserve System.

Through his writing and speaking he has made a valuable contribution in the interpretation of the Federal Reserve System to the public.

By his personal charm and his kindnesses he has endeared himself to all his associates.

To Pierre Jay, unselfish servant of the public interest, statesman of finance, and kindly friend, we, the directors of the Federal Reserve Bank of New York, express our appreciation of the service he has rendered, our regret at his leaving us, and our confidence that he will find the satisfaction of great accomplishment in his new and important work.

Case

FEDERAL RESERVE BANK
OF NEW YORK

*Returned by B.S.
1/26/27
msb (S)*

December 23, 1926.

Dear Governor Strong:

Due to an oversight, the original of the attached letter was forwarded to you at Colorado Springs. I am, therefore, sending you this copy, together with all copies of the enclosures referred to therein.

Governor Crissinger telephoned me this afternoon, stating that the Federal Reserve Board desired to know just how things were progressing here. I told him that money had gone to 6%, and that our loans to New York City banks today increased by \$50,000,000, bringing them up to \$170,000,000. Governor Crissinger also stated that the Board was inclined to feel it was inadvisable to purchase any Government securities and would like to see the matter worked out, if possible, without doing so. I have promised to keep in touch with him from day to day and advise him of any important changes. While, personally, I think it would have been desirable perhaps to have taken off the "peak" ^{by purchase} about \$50,000,000, I am sure we can get through very comfortably without it. (I was informed by the President of the Stock Clearing Corporation that the banks were showing a much more liberal disposition this year than heretofore, in that they were willing to lend freely at 6%.)

Our very best to you.

Merry Christmas
Faithfully yours,
J. H. Case
J. H. CASE.

Benj. Strong, Esq.,
Grove Park Inn,
Asheville, North Carolina.

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

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

WESTERN UNION



TELEGRAM

NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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

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

The filing time as shown in the date line on full rate telegrams and day letters, and the time of receipt at destination as shown on all messages, is STANDARD TIME.

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

1927 JAN 4 PM 6 33

CFB496 112 1/60

B BROOKLYN NY 4 541P

BENJ STRONG

333

STUYVESANT ROAD BILTMORE FOREST BILTMORE NCAR

OWEN ADVISES ME HE HAS BEEN CALLED OVER TELEPHONE BY GOVERNOR WHO SAYS HIS COLLEAGUES INCLUDING SECRETARY UNANIMOUSLY WOULD LIKE OWEN TO RESIGN PRESENT POSITION AND THEREUPON ACCEPT APPOINTMENT TO VICE CHAIRMANSHIP STOP OWEN FURTHER SAYS GOVERNOR INDICATES THIS WOULD FACILITATE WORKING OUT MUTUALLY SATISFACTORY ARRANGEMENT CONCERNING FIRST VACANCY WHICH THEY FEEL SHOULD BE FILLED BY SOMEONE BETTER KNOWN STOP

WESTERN UNION TELEGRAM



NEWCOMB CARLTON, PRESIDENT

GEORGE W. E. ATKINS, FIRST VICE-PRESIDENT

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

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

The filing time as shown in the date line on full rate telegrams and day letters, and the time of receipt at destination as shown on all messages, is STANDARD TIME.

Received at 62 Patton Avenue, Asheville, N. C.
CFB496 2/52

1927 JAN 4 PM 6 33

OWEN STATED THAT BEFORE ANSWERING THIS PROPOSAL HE WOULD LIKE TO DISCUSS IT WITH HIS ASSOCIATES INCLUDING US WHICH HE PLANS TO DO DAY AFTER TOMORROW AND ASKED ME TO OBTAIN YOUR VIEWS STOP SAM TO WHOM I TALKED BEFORE HE WENT DOWN TONIGHT AGREES WITH ME THAT SUGGESTION IS GOOD ONE

HERBERT.

JAN 4 PM 8 32
JAN 4 PM 8 32

JAN 4 PM 8 32

...STATED THAT BEFORE ANSWERING THIS ORIGINAL HE SHOULD FIRST
...IT WITH THE ASSOCIATES INCLUDED IN WHICH HE WANTS TO
...AND ASKED ME TO OBTAIN YOUR VIEW AS TO
...HE WENT DOWN TONIGHT ACCORD WITH A THAT

SUGGESTION IS GOOD ONE

36
JAN 4 PM 6

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

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The filling time as shown in the date line on full rate telegrams and day letters, and the time of receipt at destination as shown on all messages, is STANDARD TIME.

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

CFB303 27

RQ NEWYORK NY 4 220P

1927 JAN 4 PM 2 36

BENJ STRONG

216

STUYVESANT ROAD BILTMORE FOREST BILTMORE NCAR

SAUNDERS HAS RECEIVED COMPLIMENTARY LETTERS FROM PLATT AND HAMLIN

BUT LETTERS SAY THAT ON PRINCIPLE OF ROTATION BOARD BELIEVES

THAT SOME ONE ELSE SHOULD NOW BE NAMED

CASE.

Telephone No. _____
 Telephoned To _____
 Time Delivered _____
 By _____ To Be _____
 (Denver) _____

J.P. 5110 B
W

1918

THE FEDERAL RESERVE BANK OF ST. LOUIS

30

ST. LOUIS, MISSOURI, FEBRUARY 1, 1918

2

TO THE DIRECTOR, FEDERAL RESERVE BANK OF ST. LOUIS

1918

RE: [Illegible]

Yours very truly,

[Illegible Signature]

RECEIVED FEB 5 1918

[Illegible]

LETTER

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

1927 JAN 5 AM 11 46

CFB163 7

RQ NEWYORK NY 5 1121A

HENJ STRONG

147

STUYVESANT ROAD BILTMORE FOREST BILTMORE NCAR

SENT YOU TELEGRAM LAST NIGHT FROM BROOKLYN

CASE.

Telephone No	1837	Luz
Telephoned in		
Time Delivered		
By		To be
Attempt to Deliver	a w foul 115 Foul Deliver	

Wd Foul

FEDERAL RESERVE BANK
OF NEW YORK

February 9, 1927.

Dear Governor Strong:

Supplementing our talk over the telephone this morning, I
am enclosing the following:

1. Federal Reserve Board Statement for the
Press, X-4788, for release February 10,
and
2. Statement of Owen D. Young, Deputy Chairman,
Federal Reserve Bank of New York. The
statement in the second paragraph, second
line, has been modified to meet your
criticism.

With best regards, I am,

Faithfully yours,



J. H. CASE.

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

Enclosures (2)

Feb. 18, 1927.

Confidential.

Enclosures: The enclosures are:

Memo. Feb. 15, 1927 from Gidney to Mr. Case
" " 17, " " " "
Letter " ? Mr. E. P. Townsend, Equitable
Trust, N. Y. C., to Mr. Sailer.

All in re Mr. J. A. Mitchell.

also Memorandum Dated Feb. 17, 1927, presented
at Salary & Promotions meeting 2/17/27.
in re reassignment of duties.

MISC. 136 28M 6-26

FEDERAL RESERVE BANK
OF NEW YORK

INTEROFFICE ROUTE SLIP

TIME _____ A. M.
P. M. DATE _____

TO _____ DEPARTMENT
DIVISION
SECTION

REMARKS _____

FROM _____ DEPARTMENT
DIVISION
SECTION

Original copy on
Q10511

PERSONAL

February 17, 1927.

Dear Governor Strong:

Your personal letter of February 13 regarding promotions and new assignments in the bank was supplemented by Harrison's talk with you over the telephone this morning about our idea of appointing R. F. McMurray, now Chief of the Wire Transfer Division, as Manager of the Collection Department. We were very glad to know that you were in agreement with us on this. Accordingly, at a meeting of the Salary and Promotion Committee held this noon, I submitted a memorandum (see copy enclosed) stating that, in accordance with the provisions of the by-laws of the bank, you had made a reassignment of duties of several officers, transferring:

C. H. Coe (Manager)	from the Check Department to the Loan & Discount Department (Manager),
I. W. Waters (Manager)	from the Collection Department to the Check Department (Manager):

That, as a result of the vacancy created by Mr. Hendricks' resignation as Controller of the Government Bond Department, it was proposed to abolish the office of Controller of that department and to consolidate the Government Bond Department and the Safekeeping Department and put them under S. S. Vansant, now Manager of the Safekeeping Department:

That, for the vacancy created by Waters' reassignment, you recommended the appointment of:

R. F. McMurray as Manager of the Collection Department (his salary to be increased from \$4,700 to \$5,500 per annum):

That the memorandum outlines in some detail the weakness at present existing in our Credit Department, and, in order to meet this situation, you

2.17.27

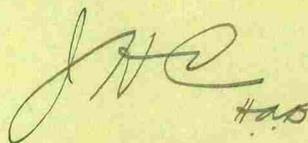
recommended the appointment of J. A. Mitchell (formerly Assistant Cashier of the Importers & Traders National Bank) as Chief of the Credit Division, at a salary of \$7,500 per annum.

As to Mr. Mitchell, I have personally looked up his record and have found it to be first-class in every respect. He is well known in credit circles, and I feel that he is just the type to make a very desirable acquisition to the bank - much better, perhaps, than a younger man with less experience. I am enclosing data concerning Mr. Mitchell.

As to the Bank Examinations Department, I will pass along to Burgess your comment on Egbert, with the suggestion that he (Burgess) talk the matter over with Mr. McGarrah before anything definite is done in that regard.

I have talked with Sailer and Harrison about your ideas for Rounds and Gilbert; also, your suggestion as to future possibilities in connection with the Buffalo situation.

Faithfully yours,



J. H. CASE.

Mr. Benj. Strong,
Stuyvesant Road,
Biltmore Forest,
Biltmore, North Carolina.

Enclosures.

...in order to meet the requirements of the

...the requirements of the

...of \$1,000 per annum

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...of the

1. H. C. ...

...of the

...of the

...of the

I have signed this letter and will be glad to discuss it with you

...

...of the

...of the

As to the bank examinations referred to, I will be glad to

experience. I am enclosing some concerning Mr. Mitchell.

...of the

...of the

...of the

As to Mr. Mitchell, I have personally looked up the record and

...of \$1,000 per annum

...of the

...of the

...of the

...

C O P Y

During the past six months we have had two resignations in the official staff of the bank, Mr. Adolph J. Lins, Manager of the Credit and Discount Department, and Mr. Laurence H. Hendricks, Controller of the Government Bond Department, which positions up to this time have not been filled. In order to meet the conditions caused by these resignations, Governor Strong has, in accordance with the provisions of the By-laws, made the following reassignment of duties of several officers:

C. H. Goe, Manager has been transferred from the Check Department to

LOAN AND DISCOUNT DEPARTMENT

in place of Mr. A. J. Lins, who has resigned to become vice president of the Montclair Trust Company. Mr. Coe has been in the employ of the bank for about ten years, and has shown marked executive ability during that period, and is qualified to fill this important position.

I. W. Waters, Manager has been transferred from the Collection Department to

CHECK DEPARTMENT

in place of Mr. Coe. Mr. Waters is the logical man for this position. He is a thoroughly trained operating man, is safe and reliable and possesses the necessary qualifications for this job.

Mr. L. H. Hendricks, Controller of the Government Bond Department, has resigned to become president of the American Rediscount Corporation, leaving a vacancy in the Government Bond Department. In order to effect economies and closer supervision, it is proposed to abolish the office of Controller of this Department and to consolidate the Government Bond Department and the Safekeeping Department and transfer Mr. S. S. Vansant, Manager, to the consolidated department to be known as the Government Bond and Safekeeping Department.

Appointment of a New Manager of the Collection Department

Due to the transferring of Mr. Waters from the Collection Department to the Check Department, a vacancy occurs in this important department. The officers believe that it is most opportune and timely that a promotion should be made from the ranks to this position, thereby encouraging and creating a better spirit among the employees. After considerable study and thought, the officers recommend, with the Governor's approval, that Mr. Robert McMurray, now Chief of the Wire Transfer Department, be promoted to Manager of the Collection Department. Mr. McMurray has had a rounded banking experience, is 44 years of age, is thoroughly equipped to handle collections, having had years of training in this work, and during his employ with us (about ten years) has shown himself capable of handling men and departments in the most efficient manner.

Appointment of Chief of the Credit Department

Due to the fact that Mr. Roy Furman, now Chief of the Credit Department, is to presently sever his connection with this bank, it will be necessary for us to secure someone who has had a thorough training in commercial and bank credits. Not only has the Credit Department lost Mr. Chapin, Mr. Morris and Mr. Aumack during the last couple of years, but it has also lost some of its most promising material in the Department through resignation, and as a result we find ourselves at this time in a position that no one in our organization has had the necessary technical knowledge or training in credits to fill the position which Mr. Furman leaves. We must, therefore, seek someone in the outside market. After making a thorough canvass, the officers recommend, and Governor Strong concurs, that we employ Mr. J. A. Mitchell, formerly assistant cashier of the Importers and Traders National Bank, who for many years was in charge of their Credit Department. Mr. Mitchell is a man between 45 and 50 years of age, has a splendid personality, and is highly recommended to us. If we can secure his services, he will be a valuable acquisition to our force.

FEDERAL RESERVE BANK
OF NEW YORK

Personal

February 17, 1927.

Dear Governor:

I have your letter of February 13 returning the correspondence with the Bank of France, regarding the purchase of gold, which I am turning over to Mr. Harrison.

I am planning to leave the city tomorrow for Pinehurst, and hope to stay there until Sunday, February 27. I have not as yet looked up the train service from Pinehurst to Asheville, nor have I examined the map to see how close these two points are, but while I am there I should certainly like to run over and call upon you. Several of my friends are at Pinehurst, one of whom has his car with him, and if the distance is not too great, it may be possible for me to motor across country and meet you that way, rather than to go by train.

I was in Harrison's room this morning while he was telephoning you, and was glad to learn that you were feeling fit. Looking forward to the opportunity of seeing you some time next week, and with best regards, I am,

Faithfully yours,


J. H. CASE

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

*my address will be
Hotel Carolina*

*I am returning
Sunday Feb 27. JHC*

*Pinehurst
N.C.*

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

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

DUPLICATE OF
TELEGRAM TELEPHONED

DEPARTED 9 AM 9 12
INSPECTED
ASHEVILLE, N. C.

CFB55 29 BLUE

CH PINEHURST NCAR 22 902A

BEN J STRONG

BILTMORE FOREST BILTMORE NCAR

YOUR LETTER TWENTYETH I CANNOT CONVENIENTLY MAKE TRIP BEFORE
END OF WEEK IN VIEW YOUR PROGRAM FOR THAT PERIOD I PROPOSE
DEFERRING VISIT AND MAKE SPECIAL TRIP OF IT

CASE..

Telephone No. 7090-
Telephoned To Strong
Time Covered 9:15
By [Signature] To Be [Signature]
Attempt to Deliver

FEDERAL RESERVE BANK
OF NEW YORK

SENT BY

COPY OF TELEGRAM

March 16, 1927.

SEND TO FILES

RESE
NEW YORK

16 PM
34

TRANS
FR
IN

Benj. Strong,
Stuyvesant Road,
Biltmore Forest,
Biltmore, North Carolina.

Your letter March 12. Am planning leave here Friday afternoon for Asheville
leaving Asheville Sunday afternoon for Washington.

CASE.

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

NO.	CASH OR CHG
CHECK	
TIME FILED	

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

March 22, 1927 4:25 p.m.

BENJ. STRONG
STUYVESANT ROAD, BILTMORE FOREST,
BILTMORE, N. C.

Referring our telephone conversation will not see Vissering until tomorrow noon
but feel certain he will gladly leave here Monday next to visit you STOP
He would arrive Biltmore March twenty ninth and it occurs to me his arrival
then might be inconvenient to you if you expect to come north March thirtieth
or thirty-first. STOP Please wire

CASE

Charge to the account of _____

\$ _____

CLASS OF SERVICE DESIRED	
am	<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

March 23, 1927

BENJ. STRONG
STUYVESANT ROAD, BILTMORE FOREST,
BILTMORE, N. C.

Believe Vissering and Bachmann would appreciate if definite time fixed for visits with you. Suggest Vissering goes to Atlantic City April 6 to remain two or three days as you wish and Bachmann goes April 11. Please wire if these dates agreeable or suggest others and indicate duration their visits with you

CASE

(Charge F.R.B. of N.Y.)

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 this, one-half the unrepeatable message rate is charged in addition. Unless otherwise indicated on its face, THIS IS AN UNREPEATED MESSAGE AND PAID 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 UNREPEATED message, beyond the amount received for sending the same; nor for mistakes or delays in the transmission or delivery, or for non-delivery, of any REPEATED message, beyond fifty times the sum received for sending the same, unless specially valued; nor in any case for delays arising from unavoidable interruption in the working of its lines; nor for errors in cipher or obscure messages.

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

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

4. Messages will be delivered free within 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. Special terms governing the transmission of messages under the classes of messages enumerated below shall apply to messages in each of such respective classes in addition to all the foregoing terms.

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

THE WESTERN UNION TELEGRAPH COMPANY

INCORPORATED
NEWCOMB CARLTON, PRESIDENT

CLASSES OF SERVICE

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

D. This Day Letter is received subject to the express understanding and agreement that the Company does not undertake that a Day Letter shall be delivered on the day of its date absolutely and at all events; but that the Company's obligation in this respect is subject to the condition that there shall remain sufficient time for the transmission and delivery of such Day Letter on the day of its date during regular office hours, subject to the priority of the transmission of regular telegrams under the conditions named above.

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

NIGHT LETTERS

Accepted up to 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

1407.1

OFFICE CORRESPONDENCE

DATE March 28, 1927. 192

To Governor Strong

FROM J. H. Case

SUBJECT: _____

*Returned by
BS - 4/10/27
x*

*1407.1
1407.1*

Your memorandum of March 23 which is attached refers to certain figures in the reports on France and Hungary. The French figures came from official sources and appear to be correct. With respect to the Hungarian figures, the comma should be a period, i.e., 27.600 million.

These reports are written in longhand and typed by the Stenographic Department where the typed work is read back to the original copy. In addition the writers of the reports check up the figures, so that I think such typographical errors should be reduced to a minimum in the future.

FEDERAL RESERVE BANK
OF NEW YORK

Case

SENT BY

SEND TO FILES

COPY OF TELEGRAM

1927 MAR 29 AM 11
FEDERAL RESERVE BANK
OF NEW YORK
WIRE TRANSFER DIVISION

DAY LETTER

March 29, 1927

Benj. Strong, Esq.,
Stuyvesant Road,
Biltmore Forest,
Biltmore N. C.

Both foreign guests and the entire party of one go to Atlantic City via morning train Tuesday fifth. Will stay Haddon Hall over following week end but understand time with you only two or three days. Stewart will call in person today for your letters.

Faint, mostly illegible text at the top of the document, possibly a header or address.

RECEIVED
MAY 27
FEDERAL RESERVE BANK

BY TELETYPE

RECEIVED

RECEIVED
MAY 27 1934
FEDERAL RESERVE BANK

COPIES OF TELEGRAM

SENT BY

SEND TO FILES

FEDERAL RESERVE BANK
OF NEW YORK

J L

**FEDERAL RESERVE BANK
OF NEW YORK**

March 25, 1927.

Dear Governor Strong:

Mr. Sailer has been called out of town to-day for the week-end and has given me your memorandum of March 22 inquiring about the plans of our visitors. You may rest assured that they are being properly entertained. Dr. Vissering is occupying the Chairman's room; Dr. Bachmann is across the hall in the Federal Reserve Board room; while Mr. Mahon is in the room between Mr. Kenzel and me. Mr. Spencer-Smith is here very little and is using the room with Mr. Mahon.

I think they have all appreciated very much the fact that we have set aside offices for their use. That is particularly true of Vissering and Bachmann. One or more of the deputy governors have entertained them practically every noon at luncheon, and yesterday they all attended the directors' luncheon. Mr. Young made a short speech of welcome and Dr. Vissering replied.

We have arranged for the directors and senior officers to give them a dinner probably at the University Club on April 14. I imagine that Spencer-Smith will leave us before then, but Dr. Vissering remains until April 30; Dr. Bachmann until April 18, and Mr. Mahon until April 15.

I have arranged with Vissering and Bachmann to go to Atlantic City on Tuesday, April 5, to spend two or three days with you. They both are delighted at the prospect of this visit. As soon as I have found out whether Mrs. Vissering and Dr. Ritter, who is Vissering's secretary, will go, I shall arrange for their transportation and hotel accommodations. If Vissering and Bachmann go alone, I think it would be well to put them

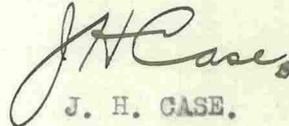
up at the Marlborough-Blenheim, but, if there is a larger party, I shall probably arrange to put them elsewhere.

Vissering has been spending some time visiting his acquaintances at the City Bank, Morgan's, Kuhn Loeb, Bankers Trust, Guaranty, etc. In fact the people at the City Bank wanted to arrange for his trip to Washington to talk on tax matters with the Secretary but I thought that would be most unfortunate and have arranged to take care of it myself. I imagine that I may take Vissering to Washington next week to talk with Mills and meet the members of the Board. Bachmann may go to Washington later. He is anxious to take a trip to Boston and may do that next week.

I have not met Mrs. Vissering but they tell me that she is a charming person and we have been looking after her by having Miss Mary Parker spend several days with her as a guide.

This will give you a rough idea of what we are doing and I shall try to keep you posted further from time to time.

Faithfully yours,


J. H. CASE.

Benj. Strong, Esq.,
Stuyvesant Road,
Biltmore Forest,
Biltmore, N. C.

of at the invitation of the Board, it is desired that you should

possibly arrange to visit the Board

has been spending some time visiting his headquarters

at the present time, and it is desired that you should

visit the Board in New York for the purpose of discussing

to talk with the Secretary but I thought that you would be glad

to visit the Board in New York for the purpose of discussing

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Sincerely yours,

J. E. Case
J. E. CASE

Benj. Strong, Secy.
Progressive Board
St. Louis, Mo.
St. Louis, Mo.

FILES DIV.
APR 11 1934
FEDERAL RESERVE BANK
OF NEW YORK

FEDERAL RESERVE BANK
OF NEW YORK

PERSONAL

June 7, 1928.

*Mr. Cass
Personal files*

Dear Governor Strong:

I was very glad indeed to get your boat letter of May 17, which I have passed around among the directors and the members of our Officers Council. You may be sure that all of us were more than pleased to have word from you at first hand and to learn that you weathered the rather trying trip in a fair degree of comfort.

In your letter you express the hope that all of our organization problems may be worked out to everybody's satisfaction. The reassignment of duties among the six deputy governors has been completed and will, I hope, make for an equitable and logical distribution of the work. We have been operating very smoothly under the new order of things for the past few weeks. The personal equation, to which you make particular reference, is, of course, a difficult matter to deal with and ordinarily can best be handled by the "chief" in private talks. I appreciate the difficulties that confronted you in this regard, but you may be sure that you will have our loyal cooperation and that the organization as a whole will do its best to justify your faith in and regard for us. Mr. McGarrah sent you an encouraging cable on this subject yesterday. I am enclosing copy of the officers' summer vacation schedule, for your information. My own time, which is tentatively scheduled for August, is, of course, subject to change.

*5/26/28
Miss Mc
Office*

Jack Reynolds got back yesterday and sent over the personal letter and enclosure which you asked him to deliver to me. First, let me say that your physician's comments are very encouraging and must have been a great relief to you,

as they are to us. As to the papers contained in the package with the letter, I have been giving them a very careful reading, and Mr. McGarrah is to look them over today, after which, in accordance with your instructions, they will be sealed up and put in safekeeping pending Harrison's return.

TREASURY FINANCING.

The terms of the Treasury's June 15 financing were announced yesterday, and the offering, consisting of \$200,000,000 of six-months' 4% certificates of indebtedness, and \$200,000,000 of nine-months' 3 7/8% certificates of indebtedness, is going along with a fair swing. Total subscriptions for our district at the close of business tonight amounted to a little more than \$400,000,000, with relatively smaller subscriptions from the rest of the country. The prevailing high rates for money, coupled with the fact that banks throughout the country are heavily indebted to the System (New York banks are now owing us \$250,000,000) have brought about a new and interesting development in connection with the current Treasury financing. I am told that a good many subscribers to the offering, ^{who} are also indebted to the System, have figured that they could really borrow funds at a much lower rate than 4 1/2%, by subscribing for the certificates, acquiring a Government deposit, and immediately reselling to the market at a discount of from 2/32 to 4/32, the certificates allotted to them. The very natural result is that the market in Government securities is sleppy, with yields of 4% or thereabouts for short-term Government paper. I am sure that the time has come when we must correct this situation; and, in talking with Mills about it this morning (June 8) we have agreed that a careful study of the subject should be made to see if we cannot devise a scheme that will do away with this kind of thing. I am sure that it will not be difficult to work out a satisfactory program.

MONEY MARKET.

There has been a general firming-up of money rates all along the line. Governor Young has asked me to write him about once a week, reviewing for him the

important changes in the money market; and it occurs to me that you may be interested in looking over my letter of June 1 to him, copy of which is enclosed together with copy of my report as of the same date on the gold movement during May. The recent high rates for call money, which on several occasions has touched 7%, have resulted in a heavy loss in deposits to New York City banks by reason of the fact that large corporations, firms and individuals with substantial balances have placed funds directly into the call loan market, so that practically all of the recent increase in the volume supplied has come from that source. It is a repetition of the old story that you so effectively explained at the Agricultural Inquiry some years ago; viz., that high rates constitute a magnet that attracts funds, which in turn has the effect of beating down the rates, so that, at times, we do appear to be traveling in a circle; but, with the continued sales which we have been making from the Open Market Investment Account, and the continuance of the gold movement, it is quite clear that we have a firm grip on the credit situation in this district. You may be assured that, so long as there is no change in the expansion of credit which has been taking place, we will not loose the grip which we now have on the situation.

A meeting of the Open Market Investment Committee was held in Washington on May 25. As you will see from the preliminary memorandum, copy of minutes and copy of letter from Governor Young, there was complete unanimity as to our continuing to make such sales from this account as appear to be necessary.

Yesterday afternoon (June 7) call money went to $5\frac{1}{2}\%$ and renewed this morning at that figure. While Mr. McGarrah and I were discussing this change, we received a cable from the Bank of France, stating that it desired to earmark an additional \$50,000,000 of gold with us between June 8 and 14th, and \$15,000,000 in Federal funds was paid in for that purpose today. This has come along at an opportune time.

The enclosed statement showing resources and liabilities of the 12 Federal Reserve Banks combined, will, I think, interest you.

Burgess attended the U. S. Chamber of Commerce meeting in Washington on Monday and Tuesday of this week, which made a report on the Federal Reserve System. The report on the whole is, I think, excellent, and I have no doubt that Burgess will himself write you fully concerning it.

Professor Sprague took lunch with us here in the bank on Wednesday on his way back from Washington, and left with us the accompanying memorandum entitled "The Reserve Banks and the Security Markets." You may be interested in looking it over.

BENJAMIN STRONG COLLECTION - PRINCETON LIBRARY.

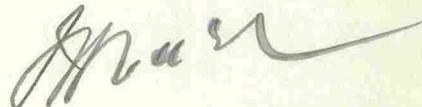
A couple of weeks ago Mr. Gerould, Librarian at Princeton University, called in to see you and, in your absence, I talked with him. The object of his call was to see if you had any suggestions to offer with regard to interesting or forming a group to take over the upkeep of the collection on Foreign Public Finance which you have maintained for so many years at Princeton. I promised to look into the matter for him, as I believe that the collection is well worth preserving in a permanent and current form. My personal conviction has been strengthened as the result of some inquiries I have had made as to the possibility of there being a similar or as good collection in some other library or financial institution. I have learned, through disinterested library sources, that there seems to be nothing comparable to the Princeton collection on this subject - either in volume or variety of reports, etc. I am, therefore, proposing to go ahead and undertake to form a group who will join in guaranteeing the maintenance, for a limited time, of the collection. I think this is along the lines of your hope expressed to Mr. Gerould that a means could be found to insure the upkeep of this work. Mr. Gerould's letter to me, accompanied by comments from Harvey Fisk and Professor Kemmerer, furnishes evidence of the value of the collection and the need for its continuance. My thought is to raise the \$3,500 desired, but for a one-year period, instead of five years as suggested by Mr. Gerould, as I believe it would be wiser

not to ask anyone to make a commitment for five years, but to have the matter come up for consideration yearly and judged upon the basis of its merits at the time of such annual deliberation. If I succeed (and I think I will) in obtaining six subscriptions of, say, \$500 each, I wonder if you would be willing to make up the seventh member of the proposed group for one year. Please let me know your views concerning this.

This letter seems to have covered a rather mixed assortment of subjects, but I have been wanting to get off word to you for some time and, so, have written up everything of current interest that I could think of.

All of the "boys" join me in sending you our very best wishes.

Faithfully yours,



J. H. CASE.

Mr. Benjamin Strong,
C/o Messrs. Morgan & Co.,
14 Place Vendome, Paris, France.

Enclosures.

OFFICERS SUMMER VACATION SCHEDULE

1928	JUNE				JULY				AUGUST				SEPTEMBER				OCTOBER						
	4	11	18	25	2 ⁹	9	16	23	30	6	13	20	27	3	10	17	24	1	8	15	22	29	
Weeks beginning:																							
J. Herbert Case										<i>(tentative)</i> x x x x													
Louis F. Sailer																		x x x x					
George L. Harrison										x x x x													
Edwin R. Kenzel														x x x x									
Leslie R. Rounds					x x													x					
Arthur W. Gilbert							x x x																
W. Randolph Burgess													x	x x									
William H. Dillistin										x x x													
Edward L. Dodge																							
Ray M. Gidney					x x		x	x	x	x													
J. Wilson Jones													x	x x									
Jay E. Crane							x	x	x														
Walter B. Matteson					x x		x																
Carl Snyder												x	x										
Dudley H. Barrows										x	x	x											
Charles H. Coe												x	x	x									
Herbert S. Downs					x x x																		
Edwin C. French														x x		x							
Robert F. McMurray																		x x x					
Robert M. O'Hara										x	x	x											
James M. Rice							x	x	x														
Harold Roelse					x	x	x																
William Scott												x	x	x									
Stephen S. Vansant							x	x	x														
I. Ward Waters	x	x	x	x																			
TOTAL OFFICERS AWAY EACH WEEK:	1	1	1	2	3	5	7	7	7	6	7	6	7	3	3	2	2	2	2	2	2	1	

CONFIDENTIAL

MIR 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 27, 1928.

TO CREDIT FILES
FROM J. H. Case

SUBJECT: BANCITALY CORPORATION AND
AFFILIATED INSTITUTIONS.

Mr. Leo V. Belden, Vice President, and Mr. W. H. Snyder, Assistant to the President, of the Bancitaly Corporation, called here this morning by appointment at eleven o'clock for the purpose, as they put it, of reporting to Mr. McGarrah and me the recent developments that had taken place in the affairs of the Bancitaly Corporation and its affiliations.

As to the big break in the market price of the Bancitaly Corporation stock (from \$223 to \$100 per share), Mr. Belden reported that this had taken place while he was in midocean, returning from a visit to Mr. Giannini who was seriously ill of lumbago and neuritis in Rome; and that, upon his return, he had gone to the office of Messrs. J. P. Morgan and Company for advice, had also talked with Mr. Seward Prosser, Chairman of the Clearing House Committee, and was now conferring with us in order that we might be informed as to the present position of the Bancitaly Corporation. Mr. Belden stated that upon his return he had been surprised to find that the Bancitaly Corporation owed \$55,000,000 in the form of loans secured by collateral, some of which were time loans: that, owing to the wild stories afloat, his chief concern was that there might be a run on the Bank of Italy National Trust & Savings Association of San Francisco, and that, therefore, he had first undertaken to put the Bancitaly Corporation in a strong cash position so that it might be enabled to render assistance to the former institution. (To accomplish this the Bancitaly Corporation had liquidated sufficient securities in the market to enable it to retire the whole \$55,000,000 of borrowed money and also leave it with a cash balance in excess of \$10,000,000. Furthermore, the corporation holds not less than \$150,000,000 in gilt-edged listed stock exchange securities - exclusive of bank stocks - which could be readily liquidated in case of need.)

CONFIDENTIAL

MIS 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 27, 1928.

To CREDIT FILES

SUBJECT: BANCITALY CORPORATION AND

FROM _____

2.

AFFILIATED INSTITUTIONS.

Mr. Belden submitted and left with us a typewritten memorandum (attached) showing the important items of resources and liabilities of the Bank of Italy National Trust & Savings Association as at June 25, 1928, compared with February 28, 1928 and December 31, 1927. The figures show that the bank owes its several hundred thousand savings depositors \$465,000,000, and approximately \$200,000,000 in commercial and other accounts. Due to the fact that some \$40,000,000 of new capital had been paid in early this year, the capital, surplus and profits account now stands at more than \$100,000,000.

Mr. Belden stated that apparently there had been no appreciable amount of deposits withdrawn (nor, indeed, any loss through seepage - which he termed "day to day withdrawals" - without replacement deposits having been made), and that deposits had held fairly steady at the figures indicated. He further stated that this statement was applicable also to the Bank of America, N. B. A., of New York. In response to our inquiry as to the progress which was being made in distributing the stock of the Bank of America to individual ownership, as outlined in the corporation's letter to Mr. McGarrah under date of March 23, 1928, Mr. Belden reported that, as we were aware, they had been a bit premature in making the original announcement as to the number of shares to be offered shareholders in their corporation before ascertaining our views in the matter: that the Bancitaly Corporation still owned 20% of the \$25,000,000 capital of the Bank of America (\$5,000,000 of stock, par value \$25., having a market value of \$165-175 per share, or, at the present market, a value of \$35,000,000), but that, nevertheless, the Bancitaly Corporation

OFFICE CORRESPONDENCE

DATE June 27, 1928

To CREDIT FILES

SUBJECT: BANCITALY CORPORATION AND

FROM J. H. CASE.

AFFILIATED INSTITUTIONS.

3.

expected to carry out its undertaking, even though that might necessitate coming to us in September for a possible extension of three months to enable it to follow its program. Mr. Belden stated that the Bancitaly Corporation continued to own 10% of the \$50,000,000 capital of the Bank of Italy National Trust & Savings Association (\$5,000,000 stock, par value \$25., quoted at \$189 per share, or a value of \$37,800,000.). He said quite frankly that the rapid drop in the price of the stock of the Bancitaly Corporation had been a very painful and uncomfortable affair and that, of course, some very heavy losses had ensued. In reply to our query as to whether some of the affiliated institutions had not supported the market for the Bancitaly Corporation stock, Mr. Belden answered very frankly that they had and that the *National Bankitaly Company now owned some 200,000 shares of the Bancitaly Corporation stock, the current market price of which was well below what the Bankitaly Company had paid for it. He further stated that, now that the stock had gone down to as low as its present quotation, \$100 to \$110, the management proposed to see that it did not "skyrocket" again and that, if the need arose, they were prepared to feed out the stock at current prices in order to keep it from again selling at too high a figure.

Messrs. Belden and Snyder appeared to be in a somewhat chastened frame of mind and stated that they had been exceedingly busy, night and day, giving their attention to the affairs of these several companies. They assured us that they would be prepared to come in any time we desired, as it was their intention to keep us fully informed regarding their affairs.

*It is to be noted that 200,000 shares of this stock at \$100 or more represents a cash outlay of more than \$20,000,000. It therefore seems not improbable that the National Bankitaly Company has had to borrow funds from the Bancitaly Corporation in order to acquire the stock in question. In view of Belden's statement that the Bancitaly Corporation had liquidated all of its borrowings in the market, it seems not unreasonable to suppose that the Bancitaly Corporation may have made direct advances to the National Bankitaly Company to enable it to acquire this stock.

FEDERAL RESERVE BANK

OF NEW YORK

PERSONAL AND CONFIDENTIAL

July 6, 1928.

Dear Governor Strong:

Since writing you on June 7 we have received your several letters accompanied by confidential memoranda which both Mr. McGarrah and I have reviewed and which, in line with your suggestion, we have had Miss McCarrick lock up to be held pending Mr. Harrison's or your return.

(1). An interesting event took place this morning, here in the bank. Through the courtesy of the American Telephone & Telegraph Company the inauguration of their Norway-United States telephonic service was marked by an exchange of calls between this bank and our foreign correspondent, the Norges Bank in Oslo, and I had the privilege of talking with Mr. Thorkildsen, Deputy Governor, Governor Rygg being absent. After expressing our felicitations on the occasion of the connection by telephone, I indicated our regret that you were not here personally to convey your good wishes, and suggested that, although it was your purpose to visit them some time in the near future, your ill health had made it impossible for you to do so this summer. We commented on the money markets of Oslo and New York and the financial situation in general, and Mr. Thorkildsen reported that their return to the gold standard was an achievement of which they were very proud. I expressed the hope that our relations would become closer and assured them that we would be glad to perform for them such services as they might require in this market.

(2). Chicago has again stepped into the arena in a way that appears to bode trouble. On Friday, June 29, the directors of the Federal Reserve Bank of Chicago voted to increase the rediscount rate from 4 1/2% to 5%. This was done without previous consultation with any member of the Federal Reserve Board, the Treasury or, so far as I know, with anyone else. McDougal had called me up

the first of that week to ask about conditions here and had told me that affairs were riding along very satisfactorily in Chicago. There was nothing in his comments to indicate that he personally had any thought of moving up the rate. On the day that the rate action was taken, George M. Reynolds, of the Continental National Bank & Trust of Chicago gave out a statement of his views on money conditions and rather indicated that he would favor an upward revision of the Chicago rate. Following the rate action, I understand, Heath telephoned Platt of the Board, but as Governor Young and a number of the other members of the Board were away, and as the only members available were Secretary Mellon, Platt, and James (the latter said to be very definitely opposed to any further rate increases) it seemed impossible to get action. I now understand that Dr. Miller and some of the other members of the Board will be back on Tuesday, July 10, at which time the recommendation relative to the Chicago rate will be given consideration. The situation is pretty well covered in Young's letter of June 30 to Governor McDougal, copy of which Young sent me and to which I replied under date of July 3. Copies of the correspondence, together with chart, clippings, etc., are enclosed for your information. There has been no newspaper publicity concerning the fact of this proposed increase, but it is known in marketwise circles. Jackson Reynolds reported to me on the following Monday, July 2, that he had heard talk to the effect that Chicago had actually voted to move up its rediscount rate.

(3). The Open Market Investment Committee at its meeting in May recommended that another meeting be held during the month of June; but in talking over the matter with the various members of the committee in June I found that we were all in agreement that it would be wiser to defer the meeting until the middle of July, when Governor Young would be back from his vacation. We now have a meeting called for Wednesday, July 18. Dr. Miller recently contributed an article to a special number of "The London Statist" on the subject of the open market, which was discussed in an editorial in the "New York Times" of

Encl. (a)

Encls. (b)

(c) (d) (e)

Encl. (f) July 5. I enclose the clipping for your use.

(4). During the mid-year period we have had the usual strained money situation due to the customary window dressing by banks, but, while our New York banks were indebted to us for about \$350,000,000, it was very widely distributed, the Chase, First, Commerce, City, and Bankers owing us approximately \$50,000,000 apiece. We all feel that a good deal of the steam has been taken out of the stock market situation, and our New York City banks are still heavily in our debt. Copies of the published statement of this bank, and the combined Federal reserve banks, both of 7/6/28, are also enclosed.

Encls.
(g) (h)

(5). The Treasury has brought out an unusual (and rather unexpected) refunding operation, which takes the form of an offering of 3 3/8% Treasury bonds due 1940-43, for cash and in exchange for Third Liberty Loan bonds. The terms are given in circular No. 859, copy of which is enclosed, together with a copy of my preliminary confidential memorandum of June 19, to Mr. Mills. The offering has been very well received, with cash subscriptions in excess of \$500,000,000.

Encls.
(i) (j)

(6). The Bancitaly Corporation matter has again come up. The conversations which Mr. McGarrah and I recently had with Mr. Belden and Mr. Snyder of that corporation are embodied in the enclosed confidential memorandum.

Encl. (k)

(7). We heard yesterday of the sudden death of Captain Loewenstein, the Belgian financier. It has created a great deal of comment, and the opinion here is that it was a case of suicide.

(8). Mr. McGarrah, I understand, wrote you recently concerning the official changes in the Loan and Discount function, and the assignment of Coe, as Assistant Deputy Governor, to Gilbert. This I believe will work out very well.

Encl. (f)

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(8). Mr. McGarrah, I understand, wrote you recently concerning the official changes in the Loan and Discount function, and the assignment of Coe, as Assistant Deputy Governor, to Gilbert. This I believe will work out very well.

(9). A sad loss to a good many people in this district was the death, on Tuesday of this week, of Arthur K. Salomon. He was taken very suddenly ill with what first appeared to be a bad bilious attack, and was rushed to the hospital where an operation for gallstones was found necessary. Peritonitis set in, and on Tuesday afternoon, while I was on my way up to see him, he passed away. I think he will be greatly missed.

(10). The Princeton Library fund, about which I wrote you on June 7, is coming along in excellent shape, Messrs. Owen D. Young, Leffingwell, Woodin, Woolley and Paul Warburg all having indicated their interest in the project and pledging themselves to a subscription of \$500 each for one year. There still remain two more subscriptions of \$500 each to be secured.

Mr. McGarrah is down at Woods Hole on vacation, and Harrison, I understand, lands today.

All of us who are here send you our best regards.

Faithfully yours,



J. H. CASE.

Mr. Benj. Strong,
Messrs. Morgan & Company,
14, Place Vendome, Paris, France.

Enclosures (11).

copy (b)

Marquette, Michigan, June 30, 1928.

Mr. J. B. McDougal, Governor,
Federal Reserve Bank,
Chicago, Ill.

Dear Governor McDougal:

After talking with you yesterday I attempted to gather some statistics at this point, but could not even secure a statement of the Federal Reserve System.

I have been out of touch with the situation for the past two weeks and you will realize the handicaps under which I am attempting to express myself in this letter.

However, before I left Washington, I gave a good deal of thought to the situation and having spent a good deal of time in the South and Middle West and talking with many of the Governors and Agents, I have arrived at the conclusion that there should be no further increase in the rediscount rates. Two weeks time, however, can bring about a decided change and it may be that it is now justifiable but from the limited information that I have, I feel that any further increase in the rates will bring about a reaction from the agricultural and business interest of the country that will be quite far reaching and certainly I do not think the system or any Federal reserve bank should take any action in reference to increasing the rates unless there is unquestionable justification of such action. I still believe the whole credit situation is centered upon speculative or investment credit which ever you care to term it.

This has received a little set-back in the last ninety days and certainly has become very expensive with call money at 8%. I am not prepared to say that it has been checked entirely, but I have before me at the moment, a circular letter from a prominent New York Exchange house, which certainly is putting out some very drastic requirements in reference to margins and collateral. This action, together with what the banks are doing, is the most effective weapon that I know of.

As near as I could gather from you over the telephone your people are prompted to increase their discount rate because of over-the-counter rates in Chicago. That may be an entirely justifiable reason and I think you know me well enough to know that I am such a strong exponent of local autonomy in Federal Reserve Bank management and operation that ordinarily I would respect the views of your Directors and approve the request of an increase even if I was not entirely satisfied in my own mind that such action should be taken. The Board is confronted with an unusual problem at the moment. Word has reached me indirectly that a request will probably be made of the Federal Reserve Board to purchase Government securities in an effort to ease the present situation.

This program I am also opposed to.

If my memory serves me correctly, the system has taken \$800,000,000 from the market since last September by sale of securities earmarking or exportation of gold. Any increase in the Government security holdings of the Federal Reserve System at the present time would be encouragement to speculators and in my opinion would not be much benefit to the business and agricultural interests of the country. If it has taken in the neighborhood of \$800,000,000 to tighten the credit situation I do not see how it can be eased to any appreciable extent except by return flow of currency or imports of gold. All evidence seems to point that currency circulation will increase rather than decrease and that further exports of gold are more likely than imports.

Mr. J. B. McD. #2

Of course, the system could buy U. S. Government securities in sufficient amount to ease the situation, but if it has taken \$800,000,000 to tighten the situation, in my opinion it will take \$500,000,000 or better to ease the situation and again I repeat, that I do not believe the present situation should be eased.

It is believed that brokers loans have been reduced considerably but it is possible that short sales have contributed to this in no small way and in addition the brokers requirements have been so drastic that many customers have removed their accounts from the brokers and placed them with the banks. There is some evidence that this has been going on in the smaller communities.

The only other method of reducing brokers loans is through the bargain hunter and he uses deposits to reduce brokers loans. This method has not been used to any appreciable extent, else there would be a reduction in Reserve Requirements of the member banks.

To sum this all up, I am opposed to an increase in the rates and I am opposed to taking any action at this time to ease the situation and in conclusion I do not think it is fair for any reserve bank to put the Reserve Board in the ridiculous position of approving one policy of tightening credit and simultaneously approving another reserve bank's policy of easing credit.

I would, therefore, suggest to my colleagues and the Directors of your bank that a conference be held with representations from all the Reserve Banks and the Federal Reserve Board to determine which policy is probably the best one for the country at the present time.

I have dictated this communication hurriedly and have expressed myself rather frankly which I know you want me to do. In doing so, however, please inform your colleagues that I have the utmost respect for their judgment in the present situation and am only too anxious to do whatever is right, but certainly I should not be in a position to approve the policies of the Reserve Banks that, nationally are working at cross purposes.

If a conference is called, I could attend at any time except July 5th, 6th and 7th. I have excluded these dates because the citizens of my home town are giving me a little dinner on July 6th and it is quite necessary that I be here.

Believe me, as ever,

Yours sincerely,

Mr. Case:

I came in from camp today and dictated the above in reply to a telephone talk I had with McDougal. Seems to me that it would be best to let the present position stand for a little while. Would also be interested in any reaction you may have.

(Signed) Young

Case

FEDERAL RESERVE BANK
OF NEW YORK

July 20, 1928.

Dear Governor Strong:

I have received your letter of July 3 which I have read with a great deal of interest. I am glad to learn that you are feeling so much better and hope that by the time you are ready to sail for home you will have a very good report to make.

I wrote you on July 6 giving you a pretty full budget of news but I do want to write you briefly about our recent change in the discount rate and with respect to our Open Market Committee meeting which was held in Washington this week. There is to be another meeting on August 13 which I hope you may be in a position to attend.

OUR DISCOUNT RATE

After sending off my letter of July 6 and reviewing the expansion of credit and the upward trend of money rates, I made up my mind very promptly that unless we dealt with the subject rather vigorously and immediately we might find ourselves in a jam this autumn. So on Monday, July 9, I discussed the matter fully with our Executive Committee, Messrs. Young, Reynolds and Woolley, but did not find them at all sympathetic to an increase. Following this, the Federal Reserve Board approved the Chicago rate increase on Tuesday, the tenth, and the following day, at Mr. Mills' request, I went up and had a talk with Secretary Mellon. I found that, while he had hoped we might go through the summer without any further adjustments, he was now of the opinion that we should raise our

rate and do it promptly. I then went over and had a talk with Mr. Owen D. Young expressing my views just as forcibly as I knew how and I think my talk was instrumental in getting him to seeing our view point. The officers, including George Harrison who had just returned, were all in agreement and after talking the matter over with Mr. McGarrah he agreed and came down to our meeting. We had about two hours debate on the subject in the directors meeting with the result that of the seven directors present six voted for the change Mr. Reynolds voting "no."

OPEN MARKET INVESTMENT COMMITTEE MEETING

On Wednesday we had a meeting of the Open Market Investment Committee in Washington. While we had an interesting discussion after considering all the factors in the present credit situation we were unanimous in the belief that no open market action should be taken at the present moment and so recommended to the Board. Our action in this regard was ~~very~~ unanimously approved. I am enclosing a copy of the preliminary memorandum which Dr. Burgess prepared together with a copy of our recommendation.

There has been a marked improvement in our position during the past week as you will observe by referring to the comparative statements of July 11 and July 18. Some improvement in the System's position as a whole is also shown. My own thought is that it may be necessary and desirable to hold this rate for some time. If the credit expansion which now appears to be checked shows some sign of receding and the stock market becomes quiet it may be possible for us to go into the market this

autumn and buy a couple of hundred millions of government securities which will enable our banks to meet some of the autumn requirements without further recourse to us here.

With best regards, I am,

Faithfully yours,

J. H. Case

J. H. CASE.

Mr. Benj. Strong,
C/o Morgan & Company,
14 Place Vendome,
Paris, France.

Enclosures.

*a hasty note sent
to catch
the night boat*

*Very truly
yours*

J. H.

Report

as presented and adopted

J/18/24

[Sent to
Hearings
Com -
July 20, 1924
Prepared
by
Burgess]

The committee has considered the preliminary memorandum submitted by the chairman and other features of the current credit situation.

The committee ~~is not prepared to recommend any~~ action ~~is~~ ^{that no further} ~~believe~~ at present, or until the ~~present~~ moderately high level of high ^{rate has} money ~~is~~ continued long enough to provide a testing of the credit situation which may have the effect of checking unsound uses of credit.

The committee believes, however, that the present amount of member bank borrowing at the Reserve Banks and present money rates would not be wholesome if continued over an extended period and believes the Reserve System should be prepared if and when conditions warrant to exercise its influence to modify these conditions. The committee believes this situation should have careful, continuous study and would expect to meet again for its consideration within a few weeks.

July 18/24

Preliminary report

July 17, 1928.

THE CREDIT SITUATION

as obtained by Com JWB

Interest Rates

Interest rates are higher today than at any time since 1921. The primary reason for high money rates is that the member banks owe the Federal Reserve Banks about one billion dollars, compared with an average borrowing of about 500 million for the preceding six years and 400 million last summer. The heavy borrowing is due primarily to gold exports of 500 million dollars since last autumn, sales of 300 million of securities by the Federal Reserve Banks, and some additions to reserve requirements of member banks because of ^{Excessive} credit expansion ~~and~~ ~~relative use~~. Partly offsetting these losses of funds, there has been a gain through the retirement of over 100 million of currency (reflecting some reduction in factory payrolls and increased use of checks).

As the autumn demand for funds comes on, larger borrowings and still higher money rates may be anticipated unless counteracting steps are taken. Ordinarily autumn trade requires nearly 100 million additional rediscounts (exclusive of additional Federal Reserve credit called into use through the seasonal expansion in holdings of bankers acceptances).

Testing the Credit Situation

The present high money rates are testing the credit situation and it seems reasonable to believe that pressure will be felt most at the weakest point, whether this is the prices of industrial securities, the volume of new issues, the amount of new building, or whatever else. It seems likely that a brief period of ^{rates at present levels} testing is likely to result in a check to movements which may have gone beyond a sound economic basis. The fact that such a testing is going on is evidenced by the changes in the total volume of credit, which with the exception of a temporary rise

at the first of July has shown no increase since the early part of May. The volume of new long time security issues also shows some sign of pause, and security prices of various types are considerably lower than they were early in May.

Effect on Business

If the present high interest rates are continued for several months it seems probable that business activity may be affected six months or a year from now. The evidence for this probability may be summarized briefly.

1. Charts of business volume and interest rates since 1900 show that continued high rates have almost invariably been followed by business declines after a lag of six months to a year.
2. A reasonable explanation is found in the restriction of new enterprises by high money rates.
 - (a) High money rates discourage speculative building construction - as indicated by declines in building six months to a year following high money rates.
 - (b) High money rates tend to discourage new financing, which would lead to business activity six months to a year distant.
3. Present business conditions may be peculiarly susceptible to restriction of credit.
 - (a) There was considerable unemployment last winter. Outdoor work, particularly building, has largely absorbed surplus labor, but factory employment has increased very little. When outdoor work slackens, further unemployment is at best a danger.
 - (b) Any considerable unemployment will give installment selling its first considerable test.

It should be noted, however, that high money rates have not continued long enough for any noticeable adverse effects. On the contrary, the figures which would first reflect adverse consequences show that -

1. In the first six months of this year the volume of building contracts has broken all previous records. The figures reported by the F. W. Dodge Company for the first six months of recent years follow:

1925 - - - - -	\$2,748,695,000
1926 - - - - -	3,128,158,000
1927 - - - - -	3,187,993,000
1928 - - - - -	3,444,868,000

2. Similarly, the volume of new financing has broken all previous records, as shown by the following table:

(In millions of dollars)

<u>First Six Months</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>
1925	3,130	571	3,701
1926	3,436	616	4,052
1927	4,508	786	5,294
1928	4,528	1,135	5,664

The foregoing figures suggest perhaps an excess rather than a deficiency of new undertakings. A little slower pace would probably be wholesome. There is beginning to be some evidence that the pace is in fact slowing down. Just in recent weeks new issues have diminished.

Effects on World Finance

In recent months European money centers have not been adversely affected by high rates here, largely because of extraordinary movements of funds connected with the French reconstruction. A more normal relation between rates and movements of funds is now beginning. Sterling has declined steadily since the French stabilization. The exchanges are still generally high, but long continued high rates

here would undoubtedly draw funds from abroad and lead to higher money rates abroad and lower exchange rates, and perhaps eventually gold shipments to this country. It would probably take some weeks for these developments to occur, and it may also be said that the speculation which has taken place in this country has been paralleled by similar movements abroad, encouraged by cheap money; and somewhat firmer money conditions here may not be unwholesome.

Germany is a particular case with peculiar conditions. She has had heavy speculation, rising prices and wages, together with high money rates; and as far as temporary money market conditions are concerned they may perhaps be bettered rather than injured by firm money rates here. In the long run, however, the payment of German reparations is dependent upon a steady flow of money from this country.

The foreign aspects of future policy may be summarized by saying that they appear to offer no pressure toward immediately lower rates here, but in the long run would be adversely affected by a continuation of abnormally high rates here.

Future Program

From these various considerations and other aspects of the current situation, it would appear that some further period of testing the credit situation by firm money conditions might not be undesirable. But it would also appear that too extended a period of high money rates would be detrimental to business and would react unfavorably on the world financial position.

Looking into the autumn problem for Federal Reserve policy appears to be to find a means of bringing about somewhat easier credit conditions, without at the same time encouraging a renewed expansion of credit. It seems particularly desirable that money should be somewhat more easily available for the crop moving season.

The two alternatives which naturally present themselves are a reduction in discount rates or the purchase of government securities.

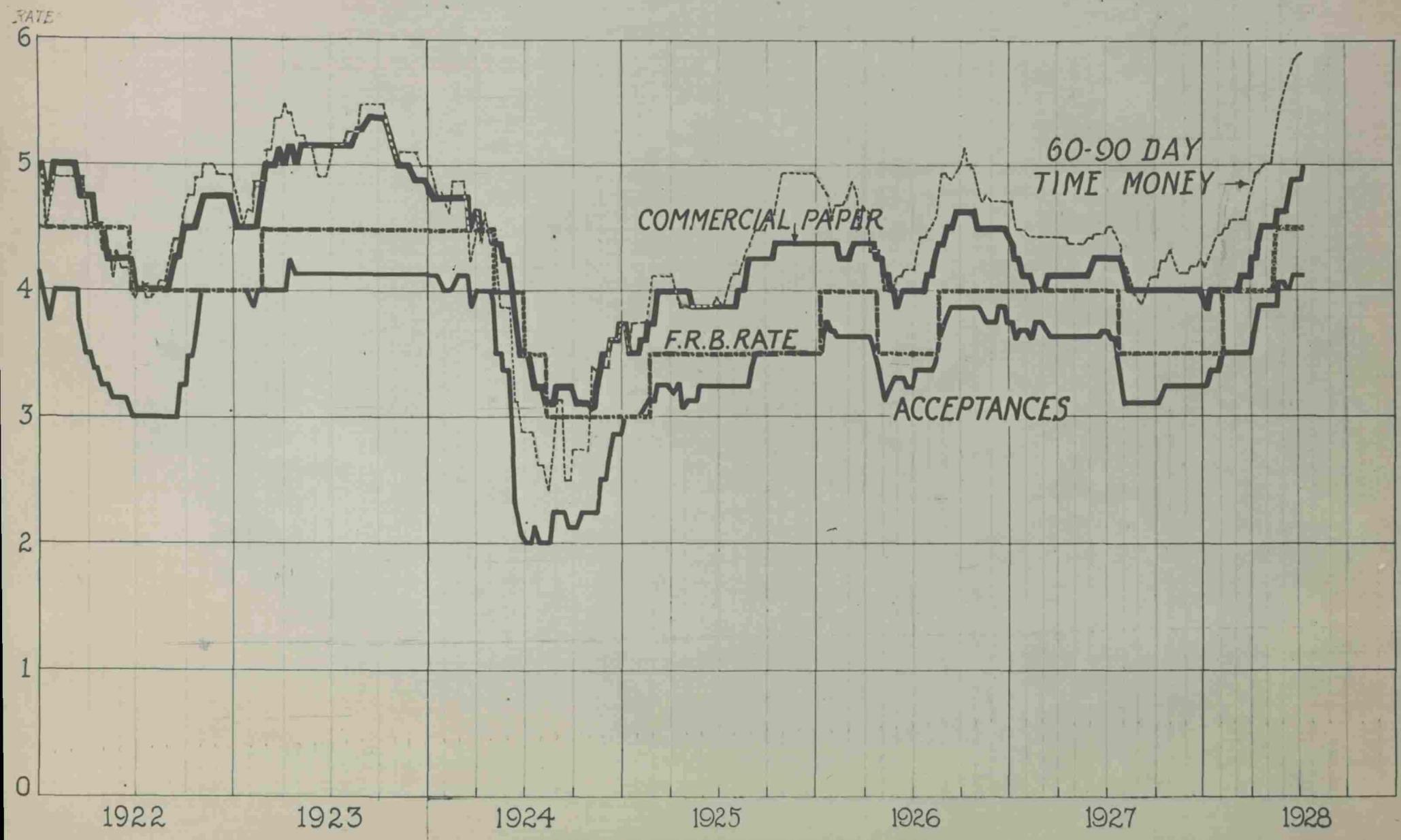
There are a number of objections to considering rate reductions under anything like present conditions -

1. Even after recent increases discount rates are low relative to open market rates, and offer encouragement to borrow.
2. The present volume of rediscounts is now so large that banks find it very difficult to keep out of debt at the Reserve Banks and the tradition against borrowing, which has been the principal source of effectiveness of Federal Reserve policy, appears to be breaking down.

The chief danger in open market purchases is that, as they appear in the statement, they may be regarded as an indication of a change of Federal Reserve policy and made the occasion for excessive demands for credit.

From these considerations it seems desirable -

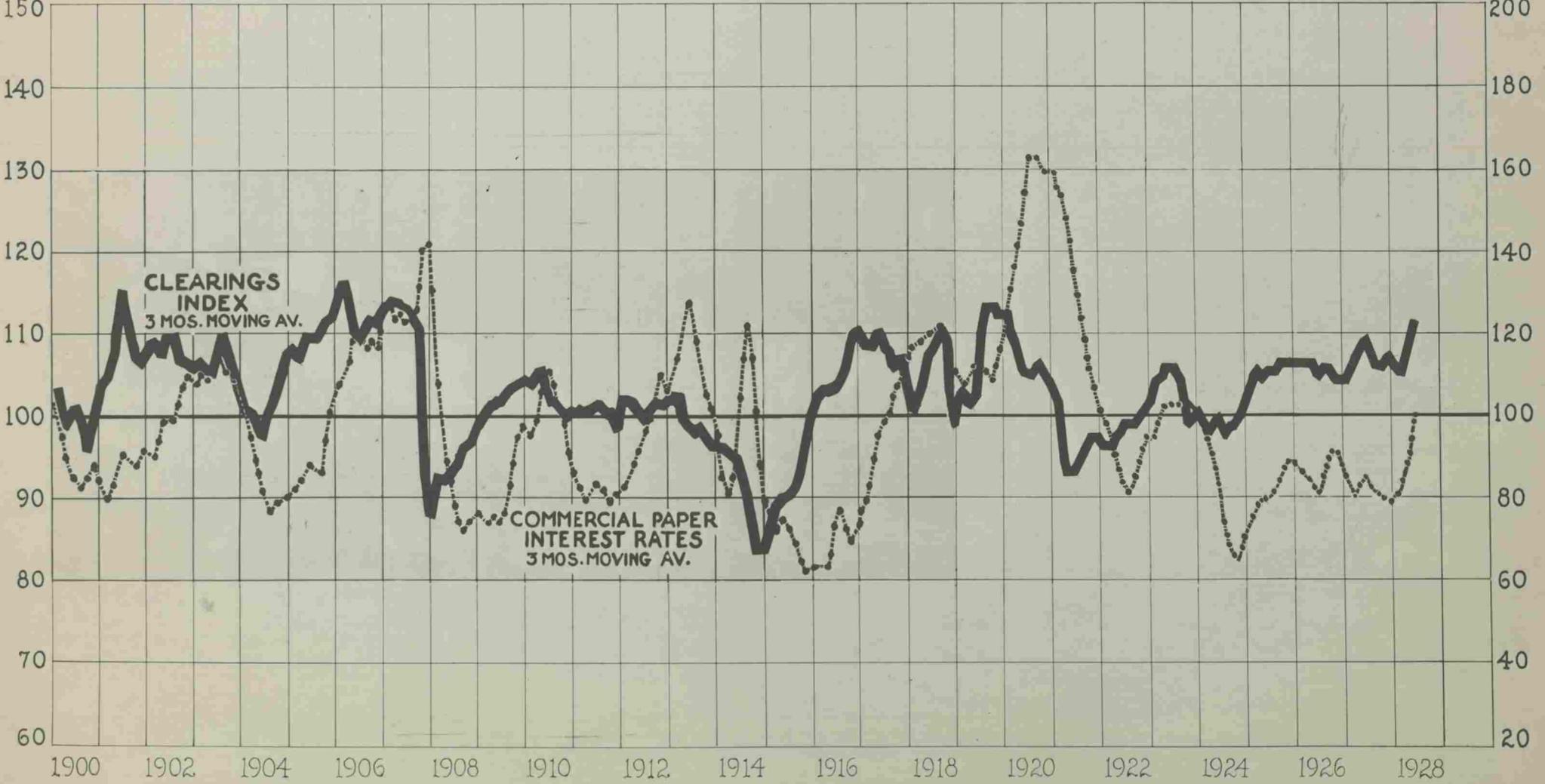
1. That no precipitate change in policy is called for;
2. That rate reductions should be made only after the volume of member bank indebtedness has been materially reduced;
3. That open market purchases should be made at such times and in such quantities that they will be absorbed either -
 - (a) In meeting seasonal needs for additional credit; or
 - (b) In reducing the amount of indebtedness at the Reserve Banks.



Weekly Rates in the New York Money Market.

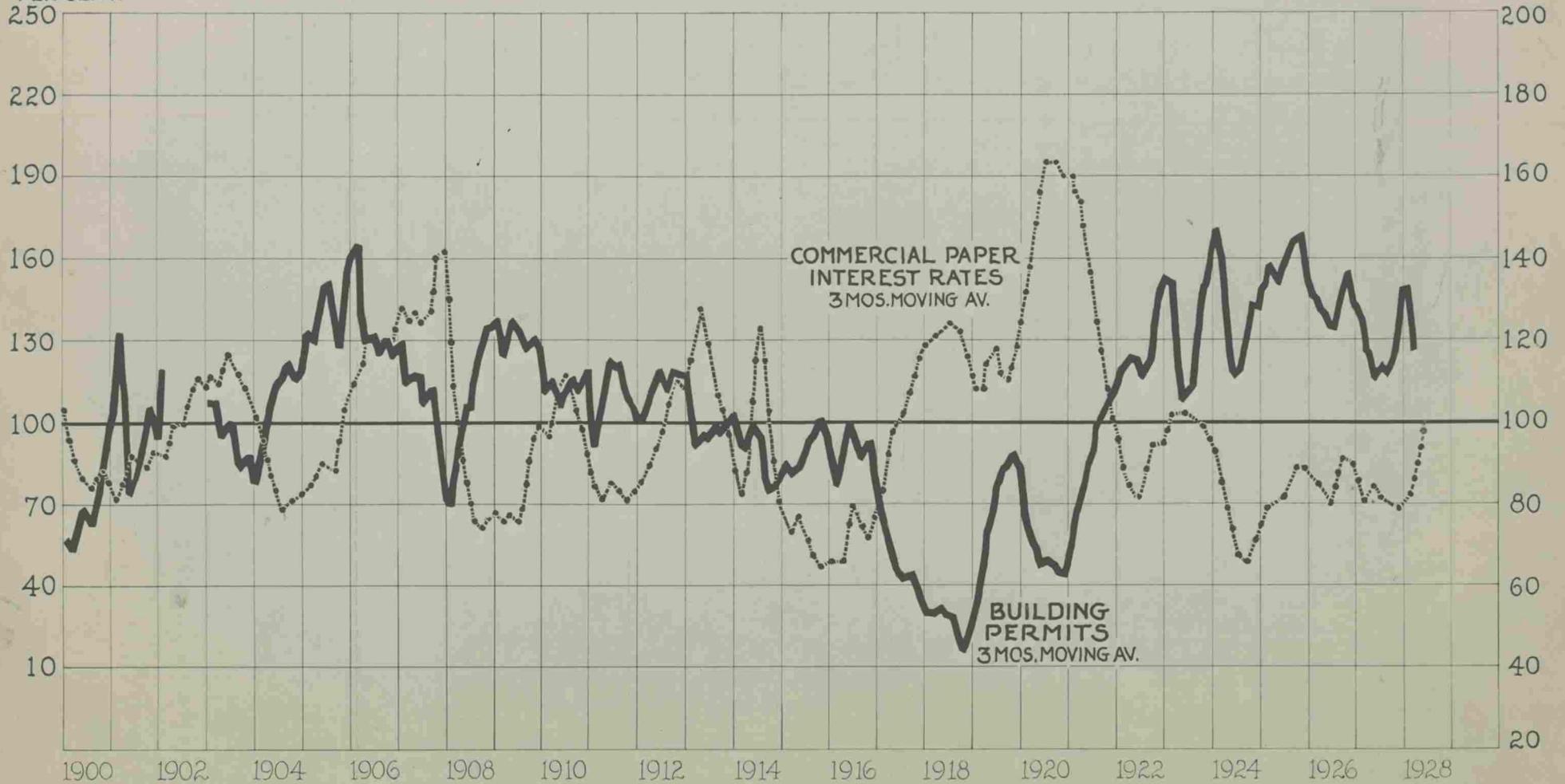
CLEARINGS INDEX
PER CENT.

COMM'L PAPER
INDEX



BUILDING PERMITS
PER CENT.

COMM'L. PAPER
INDEX



FEDERAL RESERVE BANK
OF NEW YORK

Case

OFFICE CORRESPONDENCE

JMB

DATE *Jan. 31, 1924.* 192

Mr. Case

SUBJECT:

Governor Strong

Personal
FEDERAL RESERVE BANK
OF NEW YORK

FROM

Thank you for yours of the 19th, which I return with the documents which accompanied it. I am not at all in agreement with Dr. Miller in what he says about the waiting policy. That is the most dangerous policy that we could adopt under present conditions, and at one time I thought we had him convinced of that fact.

BS.MM

att.

Case

OFFICE CORRESPONDENCE

DATE January 15, 1925 192Messrs. Jay, Case, Sailer, Harrison
Kenzel, Mason, Burgess and Snyder
Benj. Strong

SUBJECT: _____

OM

I am leaving this afternoon for Palm Beach, Florida, to be gone a month, and my address will be care of The Breakers. Mail and the usual office reports will be sent to me, and I am anxious to keep in touch with what is going on at the bank. Miss Small, in my office, will look after forwarding anything of that sort which comes in. Won't you, therefore, write me from time to time of anything of importance which comes up, and, as Miss Bleecker will be there, I will be able to write or telegraph. I especially want to know the "situation."

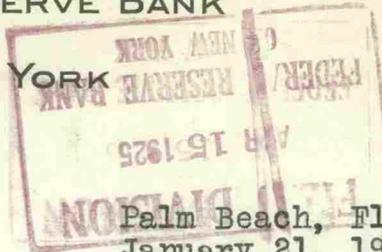
I shall have a Bentley's code book, with some special phrases, a copy of which is attached hereto for your confidential use, and any cables of importance from the other side, after translation, can be considered by the officers, and then repeated to me in code.

Telegrams in regard to bank or confidential matters can be disguised by the use of code words, without necessarily taking the time to code the whole message unless it is important, as decoding a long message is a burdensome affair.

I am especially anxious to keep in touch with what is going on in the money market, investment account, foreign exchange rates, money rates, changes in our earning assets, etc., and especially anything bearing on the situation which has to do with our rates. This would, of course, include the gold movement.

FEDERAL RESERVE BANK

OF NEW YORK



ANSWERED

JAN 26 1925

Palm Beach, Fla.,
January 21, 1925.

J. H. C.

Dear Mr. Case:

I have your first code telegram today, of which the enclosed is a copy as decoded.

This message brings to light several defects in the mechanics of our code arrangement, which I think may well be remedied before we go further:

In the first place, in your message, the word "kejum" appears six different times. Can we not obviate this by adding to our private list of code words one to mean "all figures in millions"?

Also I notice two words are used to mean 80%, whereas Bentley has one code word which is translated 80%.

As the first part of your message covers information which you will have occasion to telegraph often, I think we must here make additions to our private code also so as to reduce the number of words. Miss Bleecker has made an addition to the list of private words, and is attaching sufficient copies for Mr. Jay and each one of the Deputy Governors.

Of course such things only come to light when any code system is actually put to use. But if future messages are prepared by using the private phrases wherever possible I am sure we can reduce the number of words considerably.

I'm having a fine loaf and rest, and hope my absence does not throw too heavy a burden on the rest of you.

Sincerely,

J. H. Case, Esq.,
Deputy Governor, Federal Reserve Bank of New York,
Federal Reserve P. O. Station, New York.

Car

COPY OF INCOMING TELEGRAM

Palm Beach Flor

January 23, 1925

ST. LOUIS
FEDERAL RESERVE BANK
OF NEW YORK
DIVISION

Mr. J.H. Case,

Federal Reserve Bank of New York,

New York, N.Y.

No.1 Yours January 21st agree must continue sales as proposed
Hope market rate for call money can be kept for time
higher Having fine rest

Test OK

Benjamin Strong

RECEIVED

JAN 23 1925

J. H. O.

Case

FEDERAL RESERVE BANK
OF NEW YORK

FEDERAL RESERVE BANK
OF NEW YORK
JAN 29 1925
FILES DIVISION

January 23, 1925

Dear Mr. Case:

By way of confirmation, I am attaching a translation of the telegram sent to you in code today. In order to fit the code it had to be changed slightly.

Very truly yours,

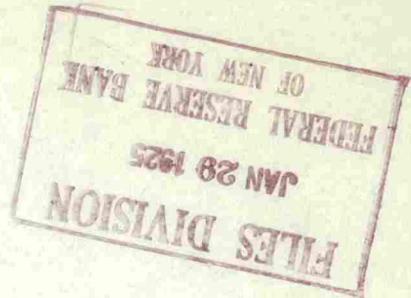
M. S. Bleeker
Secy to the Governor.

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

Enc.

RECEIVED
JAN 29 1925
J. H. O.

Decode of Telegram
Dated Jan. 23, 1925
12:30 p.m.
Gov. Strong to Mr. Case



#1 (test word) Yours January 21 Agree must continue
sales as proposed Hope market rate for call money can be
kept for time higher Having fine rest

MSB
1.23.25

As dictated by B.S.

Referring to your No. 1 Agree we must continue
sales as proposed Hope call rates can be kept higher
for a time Having fine rest.

20 M 12-24
RESERVE BANK
OF NEW YORK

TELEGRAM

Case
WIRE TRANSFER
DIVISION

COMMERCIAL WIRE—INCOMING

DECODED _____
CHECKED _____
COMPANY _____

TRANSLATION COPY

64WU MQ 19 COLLECT BR PALM BEACH FLO 112P JAN 23
J H CASE

FRB

ONE (FABWA) YOURS ITEWP APHAL MUST CONTINUE PUGCE
OLJYS HOPE YAWTY BOAHZ IVSEG UMKYT HOFZE HAVING
FINE REST

BENJ STRONG 155

Incode sent Mr. Case
MA

FEDERAL RESERVE BANK
OF NEW YORK
JAN 24 1925
FILES DIVISION

ATTENDED TO
JAN 24 1925

11. 1 20 M 12-24
FEDERAL RESERVE BANK
OF NEW YORK

TELEGRAM

WIRE TRANSFER
DIVISION

COMMERCIAL WIRE—INCOMING

DECODED _____
CHECKED _____
COMPANY _____

STATION _____

TRANSLATION COPY

45 WUX 5 COLLECT BR PALMBEACH FLO 1055A JAN 29
H CASE

FILES DIVISION
30 1925
FEDERAL RESERVE BANK
NEW YORK

FRB

PLEASE WIRE HARRISONS ADDRESS

BENJAMIN STRONG 1114A

~~ANSWERED~~

JAN 29 1925

DELIVERED TO
JAN 29 1925

*Good Hope Plantation
Ridgeland
S.C.*

.11. 1 20 M 12-24
FEDERAL RESERVE BANK
OF NEW YORK

TELEGRAM

COMMERCIAL WIRE—INCOMING

TRANSLATION COPY

✓ Case

WIRE TRANSFER
DIVISION

DECODED _____
CHECKED _____
COMPANY _____

61WU D 50 COLLECT BR PALMBEACH FLO 12PM JAN 31

J H CASE , F R B NY

FOUR FANAS AYM OH VYGIV ABUID ADBAS EGPYJ YEFHY

TWO STOP VYGIV NYNUR FEDVA RAYUX WYBCE ULMFA KRIVT

AND JUOGD CEWDO JAOLN JIYHA WYBCE NIBER UZKIS

FIDYH DAHIC JOOCT PYLMA GYJWA MUTEZ STOP AHHAL

IFCAZ ASFUZ EXCLUSIVENESS OHJUH STOP UBBDA EMLUF

FEHBE KUKIB DOSID THEIR OVKEC BOWSO AT KOPZE CEHAK

BENJ STRONG 1253P

Stamp: FEDERAL RESERVE BANK OF NEW YORK
Stamp: JAN 31 1925
Stamp: ATTENDANT NO. 10

Handwritten: Copy sent Mr. Crane

Case

INCOMING TELEGRAM

Palm Beach, Fla.

Feb 5, 1925

J. H. Case, Esq.

Federal Reserve Bank,
New York, N. Y.

#5 Agree with your recommendation for new rate proposed
your telegram to me numbered four

Benjamin Strong

test OK

WAMME
ESQ
MADE IN U

11. 1 20 M 12-24
FEDERAL RESERVE BANK
OF NEW YORK

WIRE TRANSFER
DIVISION

TELEGRAM

COMMERCIAL WIRE—INCOMING

TRANSLATION COPY

DECODED _____
CHECKED _____
COMPANY _____

Case

NTION _____

FILES DIVISION
FEB 6 1925
FEDERAL RESERVE BANK
OF NEW YORK

5WU RV 10 COLLECT BR PALMBEACH FLO FEB 5 1012A
H CASE ESQ., F R B

IVE FASRE YAOLG FOR KUJBO ORPOD OLJYS YEFHY FOUR
BENJ STRONG 1042A

File
quik
divide
On
Send to Mr. Case
ms

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

Palm Beach, Fla.,
DATE February 7, 1925 192

TO Mr. Case

SUBJECT: _____

FROM Benj. Strong

Thank you for your memorandum which enclosed the reserve balance sheet and the Clearing House statement. It is just the sort of information I need. Doubtless you will want the reports returned. Several are attached, but if you have sent others which should have gone back and have not, Miss Bleecker will return them when she gets back to the office.

RECEIVED

FEB 10 1925

J. H. G.

Case

Palm Beach, Fla.,
February 8, 1925.

CONFIDENTIAL:

Dear Mr. Case:

Many thanks for yours of the third, and for the copy of your letter to Winston.

I had hoped that we would see the banks a little more heavily in our debt before making any move as to rates, and, if necessary, would unhesitatingly advocate further sales from the investment account.

There are a few important points to consider in connection with a rate increase this time -

First, it seems to me, is to talk it over with Harding, Norris and Fancher (and possibly McDougal) and see if they would not be willing to leave their rates alone for the time being. I wouldn't care to see a general rate increase throughout the System.

Second, we must consider just what we should do about our bill rates. I would be inclined to move the bill rate and the discount rate up together this time, although it will probably make a howl from some of the dealers and the principal acceptance houses. Of course the advance in the bill rate would have to be effected more gradually.

Third, we will need to make sure that we have complete collaboration with London.

Fourth, we want to have a talk with McGarrah about the Clearing House rate. If the Clearing House banks will only leave the interest rates alone when we advance to $3\frac{1}{2}$, it will prevent a flood of out-of-town money coming to New York which might have the effect of entirely overcoming any results that we hope to accomplish by advancing rates.

copy on
592

I haven't yet seen the need for any haste in marking up our rates, although you and others on the ground may see it more clearly than I can from this distance. But in a preliminary way, I think the foundation for a rate advance should be larger borrowing from us than is now the case.

So far as I can determine without discussion, it seems to me your suggestion to Winston is alright, although, of course, the Treasury could make another issue of long-time 4s at par without any difficulty, and there may be a strong temptation to do so.

My best to all at the Bank.

Sincerely,

J. H. Case, Esq.,
Deputy Governor, Federal Reserve Bank of New York,
33 Liberty Street, New York.

BS:MSB

W. T. 11 1 20 M 12-24
FEDERAL RESERVE BANK
OF NEW YORK

TELEGRAM

Cole
WIRE TRANSFER
DIVISION

COMMERCIAL WIRE—INCOMING

DECODED _____

CHECKED _____

COMPANY _____

ATTENTION _____

TRANSLATION COPY

59WU X 19 COLLECT BR PALMBEACH FLO 1220P FEB 11

J H CASE ESQ

DEPUTY GOVERNOR FRB

I LEAVE TONIGHT PLEASE ARRANGE
FOR LEAST POSSIBLE AMOUNT DECODING
BETWEEN NOW AND FRIDAY NIGHT
WHEN GOVERNOR LEAVES

M S BLEECKER 1254P

FILES DIVISION
FEB 6 1925
FEDERAL RESERVE BANK
OF NEW YORK
RECEIVED
FEB 11 1925
J. H. G.

Cue

July 8, 1925

Federal Reserve Bank of New York,

New York.

No. _____ STRICTLY CONFIDENTIAL FOR DEPUTY GOVERNOR

Directions for cables and mail will be telegraphed from Berlin after I know address and length of stay

Strong

Spa, Belgium,
July 24, 1925.

Dear Mr. Case:

The time is coming when Gilbert will need an experienced foreign exchange man who can work into the organization, anticipating the time when the whole subject of transfers will require a good technician. I should say that he needed a man who had had experience in trading, but, nevertheless, who knew the subject of foreign exchange in a broader way than simply the market. These men, I know, are hard to get, and especially to get a man who is really an American and who would be as unprejudiced in his point of view as are Gilbert and the other members of the organization.

I wish that you and Mr. Crane would have this matter in mind pending my return. There is nothing to be done right away, but, in the course of a few months, I want to send some suggestions to Mr. Gilbert, after necessary investigations.

Sincerely yours,

J. H. Case, Esq.,
Deputy Governor, Federal Reserve Bank of New York,
33 Liberty Street, New York.

P.S. Attached to this is the list of German Bankers we met at a luncheon given by Dr. Schacht on July 13th. In an earlier letter to Mr. Jay I suggested I would send it along.

FEDERAL RESERVE BANK
OF NEW YORK

CONFIDENTIAL:

Hotel Majestic,
Paris, France,
August 14, 1925.

Dear Mr. Case:

This will serve to acknowledge the receipt of your telegram which I received today, as follows:

"No. 10 (test) Strictly Confidential for Governor Strong:

Alexander named Chairman nominating Committee in the absence of Reynolds.

In considering merits two suggested candidates Harrison and I feel that Mitchell will make much stronger more useful director than Frew and that this is possibly a good opportunity to convert him.

Sailer also agrees, but Kenzel strongly Frew.

Communicated that view to Jay who replies:

"My feeling that both should eventually serve as directors and Walter is senior in every way. Re-charter considerations influence me largely. On the other hand general adverse attitude other man makes it opportune time to educate him as director. I am not adverse to changing and would be satisfied with either. You will remember we discussed this quite fully with Strong before he sailed."

Disregard paragraph 4 my letter of August 7 relating to Mitchell and Bankovni. Mitchell called giving full explanation how inquiry State Department originated and convinced me his communication not relevant but formal statement facts in response to inquiry about foreign loans.

Money rate unchanged. Kenzel feels time approaching when purchase rates on bills should be advanced 1/8 to 1/4 all along line and carrying rate by 1/4. While still considering question am reluctant to do this now lest it may prematurely force our hand on discount rate. Officers and Executive Committee considering matter next Monday. Would like your thoughts.

Present average borrowings Clearing House Banks

RECEIVED

AUG 29

J. M. S.

Paris, France

8.14.25

Mr. Case

(2)

FEDERAL RESERVE BANK OF NEW YORK

\$100,000,000. Average system assets \$1,100,000,000."

and to confirm the reply which I am sending today:

"No. 11 (test) Strictly Confidential for Case:

Your telegram to me numbered 10:

- ONE Probably having frank talk with Mitchell today and will cable results.
- TWO Letter of August 7 not been received yet.
- THREE Agree suggested advance in bill rates may hasten advance in discount rate which I hope will not be necessary until later. Cannot this matter be deferred until after I reach London.
- FOUR Except for two days trip Switzerland remaining here about two weeks."

We arrived in Paris late last night after a rather hot and tiresome trip. And today I have not yet succeeded in accomplishing more than preliminaries. But I am expecting to see Mitchell tonight, and shall then be in position to send you something further.

My best to all at the office.

Sincerely,

Beis: Strong

J. H. Case, Esq.,
Deputy Governor, Federal Reserve Bank of New York,
33 Liberty Street, New York.

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED

AUG 29 1925

J. H. C.

Hotel Majestic,
Paris, France,
August 15, 1925.

Dear Mr. Case:

I have this morning received your cable about the Bank Polski,
as follows:

"No. 11 (test o. k.)

Vice President of Bank Polski called today and in-
quired whether we would give them revolving credit \$10,000,000
for one year against their remittance of dollar checks and
currency in transit to New York, which credit he said might
be further secured by gold set aside for us at Bank Polski.
We promised consideration, but indicated that in event of
approval deposit of gold as collateral at Bank of England
or other suitable place necessary. He would prefer not to
ship gold from Poland. Matter deferred till Monday when
he will call again. Please cable your views."

and wish to confirm the reply which I am sending today:

- ONE "No. 12 (test) Strictly Confidential for Case:
TWO Misinformed about Mitchell's being abroad
Would agree to his election provided Jay and preferably
Young could arrange understanding with him on follow-
ing points:
(a) Must give necessary time to the work
(b) Will accept directors' decisions and not
further criticism or attacks upon manage-
ment during continuance of relationship.
(c) If disagreement too pronounced could always
resign.
(d) Would adopt generally sympathetic attitude
and honest endeavor to understand our
problems.
- THREE Without some such understanding believe his election
would be misunderstood by him and be harmful.
- FOUR Referring to your telegram to me numbered 11:
Logan informs me they are negotiating with Dillon
- FIVE Believe year arrangement inadvisable until after
settlement of criticism Bank of England transaction.
- SIX While this would not apply to three months credit
I am still not particularly keen on business and
especially not until we know outcome pact negotiations.
- SEVEN If anything done gold should be deposited in London and
I feel our discount rate too low for this loan.
- EIGHT Will send more definite views after reaching London and

Paris, France

FEDERAL RESERVE BANK OF NEW YORK 8.15.25

Mr. Case

(2)

suggest meantime you get full story from them
why credit wanted and how to be used and cable
me.

NINE .

From Dr. Stewart to Federal Reserve Board:

Except two days Switzerland hereuntil sail
twenty-fifth Leviathan."

Sincerely yours,

Ray: Strong

J. H. Case, Esq.,
Deputy Governor,
Federal Reserve Bank of New York,
33 Liberty Street, New York

Hotel Majestic,
Paris, France,
August 17, 1925.

Dear Mr. Case:

I am attaching copy of the Reichsbank Statement
(translated) of July 23, 1925, which I received the other
day from Dr. Schacht. I am expecting to receive these
regularly, and shall be glad to pass them on for confidential
use at the bank.

Sincerely yours,

J. H. Case, Esq.,
Deputy Governor, Federal Reserve Bank,
33 Liberty Street, New York.

Enc.

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
AUG 29 1925
U. S. C.

Hotel Majestic,
Paris, France,
August 18, 1925.

CONFIDENTIAL:

Dear Mr. Case:

This will serve to acknowledge the receipt of your cable, received this morning, reading as follows:

"No. 13 (test o. k.) Replying to your telegram No. 12

ONE

Referring paragraph 4, Vice President of Bank Polski informs us Dillon has option on additional \$15,000,000 Polish Government 8% bonds which will not be brought out at less than 95.

\$35,000,000 dollars were issued at 95 last February; now quoted at 87.

TWO

Objection to year arrangement would be met if three months' advance is made same as to Bankovni without formal commitment on our part to renew, but with understanding three renewals would be granted. This essential and satisfactory to Bank Polski.

THREE

Because of unfavorable trade balance, result last year's crop failure, and food imports, foreign currency reserve(s) of Bank Polski have decreased from 254,000,000 zloty on December 31, 1924 to 91,000,000 zloty on July 31 last, and Bank urgently requires credit to support exchange.

Their purchase(s) and remittance(s) United States currency sufficient to retire credit in one year. This comes from emigrants' remittances.

Its purchase(s) and remittance(s) entail continuing to lock up their funds 60 days for large amounts and difficult for them to secure zloty this purpose unless can sell dollars.

FOUR

We have advised them only basis on which we would consider extending credit is against gold at Bank of England and they are now willing to ship \$17,500,000 gold there to secure our \$10,000,000 credit.

FIVE

Vice President of Bank Polski called again today. He impresses us very favorably and is anxious for definite reply before sailing for London Saturday to confer you and Norman on latter's invitation.

We have discussed credit with Executive Committee today and Saunders being only member present approves.

SIX

Vice President of Bank Polski will explain to you in London his desire for large bank credit later similar to Bank of England arrangement.

About that we gave no encouragement but \$10,000,000 credit entirely separate and distinct and urgently needed now.

SEVEN

Unless you disapprove we propose recommending to directors on Thursday that three months' advance up to \$10,000,000 be made to Bank Polski against security \$10,500,000 gold lodged with Bank of England.

Checks drawn on us by Bank Polski under this credit would be debited in special account and remittance of dollar currency credited therein with interest charged on debit balances at 1% above our discount rate, with minimum of 4% and maximum of 6%.

This is their offer as to rate.

Please cable your views."

and, at the same time, to confirm the reply which I am dispatching today, as follows:

"No. 13 (test) Replying confidentially your telegram to me No. 13 Paragraphs identically numbered

ONE

Believe unlikely Dillon will take additional bonds but might lend bank on gold security if we do not.

TWO

Any arrangement made should have definite date of termination.

THREE

Do not understand explanation last sentence but we should have explicit understanding that they will actually apply such remittances to liquidating loan and so avoid our receiving gold which we do not want.

FOUR

This is correct method

FIVE & SIX

Think no large bank credit likely but this can wait.

SEVEN

Have no objection to loan in this form so long as they are not encouraged to believe we can arrange any further transaction similar to Bank of England stop Their discount rate now 10%. Believe that our charge should be 1-1/2% above our discount rate but without any maximum. And we should consider whether Bankovni should now be advised that their rate at next maturity will be advanced to 1% above our bank rate in view of changed conditions.

EIGHT

Difficult to have definite views without opportunity for

Paris, France

FEDERAL RESERVE BANK OF NEW YORK 8.18.25

Mr. Case

(3)

discussion but have no objection to loan if you all agree and above suggestions are observed."

Sincerely yours,

Ben. Strong

J. H. Case, Esq.,
Deputy Governor, Federal Reserve Bank,
33 Liberty Street, New York.

FEDERAL RESERVE BANK
OF NEW YORK

Hotel Majestic,
Paris, France,
August 23, 1925.

CONFIDENTIAL:

Dear Mr. Case:

On my return from Switzerland last night, I found your two cables, as follows:

- ONE "No. 14 (test o. k.) Replying to your telegram 13
Directors Young and Saunders voted yesterday extend
\$10,000,000 credit Bank Polski secured \$10,500,000
gold with Bank of England for period three months at
4-1/2% with agreement make not more than three renewals
each three months; interest rate each renewal to be
determined by us at that time.
- TWO Bank of England has cabled willingness hold gold for us.
THREE Have signed agreement today with Vice President Bank
Polski.
- FOUR Federal Reserve Board advised and other Reserve Banks
being offered participation.
- FIVE Expect Bank Polski will ship gold London immediately
and advances will be made by us on notice its arrival
there.
- SIX We have definite understanding with Bank Polski credit
will be liquidated proceeds dollar checks and currency
remitted here and not by gold shipments which they
understand we do not want and which they cannot afford
to make.
- SEVEN Have given them no encouragement about larger credit
but they propose discussing it with you.
- EIGHT Have agreed further renewal \$6,000,000 Bankovni loan
maturing August 31 at 4-1/2%. Directors feel desirable
that both loans should have uniform rate this time."

"No. 15 (test o. k.)

Stock market continues strong; industrial stocks
averaging 20 points above 1919 peak; street loans at new
high; money practically unchanged; governments up
yesterday 1/2 point; system assets unchanged.

Fancher's loans up temporarily \$25,000,000
whereupon received word from Washington they would
look favorably on rise discount rate from 3-1/2% to
4%. Fancher does not agree. Thinks his Board will
stand hitched to present rate.

Newspapers here quoting London insist Bank of
England will presently further reduce its rate.

Mitchell sailed August 15, due London August 22.
Had talk with him here regarding proposed flotation

Rentenbank loan 25,000,000. Showed him your letter July 20 this subject, for which he expressed thanks. He stated charter change by Reichstag not later than August 13 essential before flotation here. Wrote you fully regarding this August 13.

Young strongly favors selection of Mitchell rather than Frew and is sympathetic to serving second term himself if satisfied no tradition is violated, which we have assured him is not.

Have just seen Alexander. He states committee will meet early September. If it agrees with him, proposes to cable Mitchell telling him he is committee choice and suggesting that he might like to discuss matter with Strong, London, as to amount of time directorship would involve. Alexander also says no other name will be presented to succeed Young."

to both of which I have replied today, as follows:

- "14. (test) Strictly Confidential for Case:
- ONE Replying to your telegram 14 paragraph 6
Hope there is no misunderstanding as to payment by gold if remittances inadequate within term of credit.
- TWO Replying to your telegram 15
Believe advance at Cleveland not justified and effect would be undesirable. Await cable from London.
- THREE Money growing easy in London. Can report conditions next week.
- FOUR Regard Young's reelection most important.
- FIVE Proposal to nominate Mitchell without discussion or understanding as suggested my 12 would be dangerous for following reasons:
- (a) He will interpret as indicating we are unduly affected by his attacks and he has won a victory.
 - (b) Might be considered as evidence by public that banking community support his criticisms.
 - (c) Will deprive us of advantage of his appearance before Congressional Committee in case of inquiry, when we may welcome Wall Street criticism.
 - (d) Will introduce discordant element in System at time when there is plenty anyway.
 - (e) I would welcome his election, however, if preliminary talk could assure us he would "play the game". I hear he has gone to Scotland and from there goes to Scandinavia, but if you can arrange for me to see him in London next week I could gain some understanding of his probable attitude.
 - (f) Otherwise it seems a risk and certain to increase rather than lessen our problems and anxiety just now."

Sincerely yours,

J. H. Case, Esq.,
Deputy Governor,
Federal Reserve Bank of New York,
33 Liberty Street, New York.

Re: Strong

FILES DIVISION
SEP 24 1925
FEDERAL RESERVE BANK
OF NEW YORK

Have just seen Alexander. He states committee will meet early September. It is agreed with him, progress to cable Mitchell telling him he is committee choice and suggesting that he might like to discuss matter with Stray, London, as amount of time directorship would involve. Alexander also says no other name will be presented to succeed Young.

to both of which I have replied today, as follows:

- ONE "1st (last) Strictly Confidential for Case: Replying to your telegram 14 paragraph 6 Hope there is no misunderstanding as to payment by Gold in remittance independent within limit of credit.
- TWO Replying to your telegram 15 Believe advance at Cleveland not justified and effect would be undesirable. Await cable from London. Money growing easy in London. Can report conditions next week.
- THREE Regard Young's reelection most important. Proposal to nominate Mitchell without discussion or understanding as suggested by 13 would be dangerous for following reasons:
- FOUR (a) He will interpret as indicating we are unably affected by his attacks and he has won a victory.
- FIVE (b) Might be considered as evidence by public that banking community support his criticisms.
- (c) Will deprive us of advantage of his appearance before Congressional Committee in case of inquiry, when we may welcome Wall Street criticism.
- (d) Will introduce discordant element in system at time when there is plenty anyway.
- (e) I would disclose his election, however, if preliminary talk could assure us he would "play the game". I hear he has gone to Scotland and from there goes to Scandinavia, but if you can arrange for me to see him in London next week I could gain some understanding of his probable attitude.
- (f) Otherwise it seems a risk and certain to increase rather than lessen our problems and anxiety just now."

Sincerely yours,

J. H. Case, Esq.,
Deputy Governor,
Federal Reserve Bank of New York,
33 Liberty Street, New York.

RECEIVED FEDERAL RESERVE BANK

SEP 5 1925 OF NEW YORK

J. H. C.

Hotel Majestic,
Paris, France,
August 25, 1925.

Dear Mr. Case:

Thank you for yours of August 13, which arrived with the mail packet this morning. I will reply by separate letters as to one or two of the subjects, as you may have occasion to use the letters separately.

This will be about Mr. Mitchell:

I am glad you had a talk with him, but am as uncertain as you as to the effect of such a conversation. The time has come when we must tell Mr. Mitchell definitely that the policy of the Reserve Bank is to establish and develop these relations with banks of issue, and that his own antagonism to that course will not move us to any change of policy.

I have cabled you briefly just the way I feel about his nomination. Mr. Mitchell, as you realize, has an exceedingly active and well developed ego. If the committee of bankers, out of a clear sky and without any intimation that they have conferred with us, should cable him asking him to accept the nomination, he is almost certain to conclude that the bank, if it has been consulted, has been influenced by his criticisms and attacks; and, likewise, that the nominating committee, which presumably he would understand to represent the sentiment of the banking community, sympathized with that attitude.

Furthermore, we are just now in position where we may be facing an inquiry by Congress of great consequence to the system, and involving the continuance of our charters and important amendments to the act, where it might be most helpful to have Mr. Mitchell called to appear and state his grievances. Should he become a director before any hearings, it would either put him in position where he would not be willing to appear and would feel obliged to leave it to the executive officers of the bank to state the bank's position, or, if he did appear, it would give the impression that there was dissension in the management of the bank.

There is also that other consideration - that we have got a lot of troublesome questions ahead of us just now which add to the worries and anxieties of the officers of the bank. And it seems an unnecessary harassment to add Mitchell to the others by taking him into the family.

From my cable, however, you will understand that I would waive these questions entirely and welcome him as a director were it possible to have a talk with him in advance and tell him very frankly the way we feel.

I can quite appreciate that Mr. Young and others, who feel that the time has arrived to invite him into the Board would, in a general way, feel

FILES DIVISION
SEP 24 1925
FEDERAL RESERVE BANK
OF NEW YORK

1000
1000
1000

Dear Sirs:
I have the honor to acknowledge the receipt of your letter of the 22nd inst. in relation to the proposed change in the rate of discount on commercial paper.

The Board of Directors has considered this matter and has concluded that it is not desirable to change the rate of discount on commercial paper at this time. It is felt that the present rate is in line with the general level of interest rates.

I am sure that you will understand the reasons for this decision. The Board is particularly concerned with the effect of such a change on the general public and on the economy as a whole. It is felt that the present rate is the most equitable and practical one.

Very truly yours,
The Federal Reserve Bank of New York
I am sure that you will understand the reasons for this decision. The Board is particularly concerned with the effect of such a change on the general public and on the economy as a whole. It is felt that the present rate is the most equitable and practical one.

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Paris, France

FEDERAL RESERVE BANK OF NEW YORK... 8.25.25...

Mr. Case

(2)

confident that the result would be desirable, and, in the end, satisfactory. I have that feeling myself, always subject to its having first been made clear to Mitchell that he could not run the bank and that he must, if he became a director, accept the decisions of the directors. It is entirely a question of method of approach. And I am sure when these facts are considered that you will agree with me. So I am hoping that it will still be possible to get in touch with him. But I will, of course, feel that that should be done through the committee and from New York, rather than for me to attempt to do it direct.

I met Mrs. Mitchell at dinner last night. She tells me that he is shooting in Scotland, and that he goes directly from Scotland to Scandinavia. But of course he will be in London on his way, and it is just possible that I can catch him there; hence my cable.

I am sorry that this came up when it was too late to get in touch with him, and still have hopes that you may be able to work it out satisfactorily.

Sincerely yours,

Wm. Aronson

J. H. Case, Esq.,
Deputy Governor, Federal Reserve Bank of New York,
33 Liberty Street, New York.

FILES DIVISION

SEP 24 1935

FEDERAL RESERVE BANK OF NEW YORK

FEDERAL RESERVE BANK OF NEW YORK, 60 WALL STREET, NEW YORK 6, N.Y.

I am sorry that this came by when it was so late in the day. I will have to see that you get it as early as possible. I am sorry that this came by when it was so late in the day. I will have to see that you get it as early as possible.

I am sorry that this came by when it was so late in the day. I will have to see that you get it as early as possible. I am sorry that this came by when it was so late in the day. I will have to see that you get it as early as possible.

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Sincerely yours,

[Handwritten signature]

L. H. Cass, Esq.,
Deputy Governor, Federal Reserve Bank of New York,
33 Liberty Street, New York.

RECEIVED
SEP 10 1925
J. H. C.

FEDERAL RESERVE BANK
OF NEW YORK

Hotel Majestic,
Paris, France,
August 25, 1925.

Dear Mr. Case:

I notice that the borrowings of the First National Bank are pretty heavy, one report showing as high as \$55,000,000. I don't know what the occasion for this is, and it may be perfectly all right. But from the standpoint of the money market, we should bear in mind that we deal with the total quantity of credit and when our policy results in the member banks owing us a large sum of borrowed money the effect of that policy can be made negligible if the entire amount borrowed is by one member bank. Our policy is most effective when the total quantity which the Street has to borrow is distributed over the greatest number of banks.

This leads to the suggestion which I want to make that you go over the First National Bank's record with some of our directors and, if the situation justifies our doing so, explain to Reynolds that it is desirable from the standpoint of the Reserve Bank and the situation generally that no one of our New York City members shall be a persistent borrower. If the First National should liquidate, say, \$25,000,000 of its borrowings I have no doubt it would immediately result in that amount of borrowing being forced upon from five to ten other member banks. This distributes the pressure of our rate so as to be most effective.

Sincerely yours,

R.A.

J. H. Case, Esq.,
Deputy Governor, Federal Reserve Bank of New York,
33 Liberty Street, New York.

RECEIVED

SEP 5 1925

J. H. C.

RECEIVED
FEDERAL RESERVE BANK
OF NEW YORK
SEP 24 5
COMMUNICATION

FEDERAL RESERVE BANK
OF NEW YORK

August 25, 1938

Dear Mr. Case:

I am glad that the borrowing of the First National Bank
and that the report showing an amount of \$1,000,000. I don't
know what the question has this to do, but it is certainly all right
but from the standpoint of the money market, we should bear in mind
that we deal with the total quantity of credit and when our policy
results in the member banks using as a large sum of borrowed money
the effect of that policy can be made negligible if the entire amount
borrowed is by one member bank. Our policy is most effective when
the total quantity which the Street has to borrow is distributed over
the greatest number of banks.

This leads to the suggestion which I want to make that
you go over the First National Bank's record with some of our directors
and if the situation justifies our doing so, explain to the directors
it is desirable from the standpoint of the Reserve Bank and the situa-
tion generally that no one of our New York City members shall be a per-
manent borrower. If the First National should indicate any
\$2,500,000 of the borrowing I have no doubt it would immediately result
in what amount of borrowing being forced upon first five or ten other mem-
ber banks. This distribution of our risk as to be most
effective.

Sincerely yours,

J. M. Case, Jr.,
Deputy Governor, Federal Reserve Bank of New York,
33 Liberty Street, New York.

RECEIVED
SEP 24
F. R. B.

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED

SEP 10 1925

J. H. C.

Paris, France,
Hotel Majestic,
August 27, 1925.

CONFIDENTIAL:

Dear Mr. Case:

This is to acknowledge the receipt, this morning, of your cable as follows:

"No. 16 (test o.k.) Confidential Strong:

- ONE Your cable 14 paragraph 1 - No misunderstanding as to payment in gold if necessary.
- TWO Paragraph 5 - Young thinks it wholly inadvisable to approach Mitchell with conditions but felt that Alexander's suggestion that Mitchell talk with you about amount of time required in service as director would give you favorable opportunity to have informal discussion with him of other matters you have in mind. Mitchell's address until Friday afternoon 36 Bishopsgate, London, but do not see how you could discuss this matter with him even informally until after committee meets early September.
- THREE Had conference with Alexander today who wrote (nohan ?) following statement for you "Alexander thinks it impossible to commit Mitchell in advance in way you propose and very inadvisable to make attempt. Alexander wonders how you would regard Wiggin if he assured Alexander of his pleasure and purpose to work in harmony in interest of system". Alexander further expressed view that Wiggin more competent and seasoned banker than Mitchell but that either of them distinctly preferable to Frew.
- FOUR Referring bill rate, my cable 10 and your 11, scarcity of bills and buying for foreign account have resulted in low dealers portfolios which have been permitted at present low market rate for bills which are much out of line with money conditions. But situation is changing since foreign buying is now only nominal. Cotton bills are appearing and distribution stagnant.
- FIVE Commercial demand and rediscounting middle west increasing. Total earning assets system slightly under \$1,100,000,000; up \$75,000,000 since middle of July; on increase. Our rediscounts \$190,000,000 of which \$100,000,000 is for Clearing House banks.
- SIX In this circumstance officers feel time appropriate while portfolios are low to advance buying and carrying rate as named my 10.
- SEVEN While time of advance could be deferred until bills accumulate in dealers hands, we feel effect then more likely to jeopardize discount rate than if done now.

Paris, France

FEDERAL RESERVE BANK OF NEW YORK 8.27.25

Mr. Case

(2)

EIGHT

Do not wish to push you but officers would like recommend directors make advance effective Monday August 31 unless you object."

as well as to confirm the reply which I have today despatched, as follows:

"No. 15 (test) Strictly Confidential for Case:

ONE

Referring to your telegram 16 paragraph 2 - Entirely agree. My suggestion was not so much to impose conditions as to state our position to Mitchell. This cannot be done now.

TWO

Paragraph 3 - Also agree with Alexander but equally important Wigin should agree to give necessary time.

THREE

Paragraph 6 - Reach London Friday evening. Shall telegraph fully Saturday after sounding Norman. Am now inclined to agree to slight advance proposed."

Sincerely yours,

P. H. Hoover

J. H. Case, Esq.,
Deputy Governor, Federal Reserve Bank,
33 Liberty Street, New York.

To not wish to push you but officers would like recommend directors
make advance positive money amount of unless you object.

as well as to consider the

No. 12 (see)

Referring to
My suggestion
our position to

Paragraph 3 - Also agree with Mr. ... but equally important
Wright should agree to give necessary time.

Paragraph 5 - Based on London ... evening. Shall telegraph
fully Saturday after handling ... Has now indicated to agree
to eight months proposed.

Sincerely yours,

[Handwritten signature]

J. M. Gass, Sec.,
Deputy Governor, Federal Reserve Bank,
33 Liberty Street, New York.

FEDERAL RESERVE BANK
OF NEW YORK

Hotel Majestic,
Paris, France,
August 27, 1925.

Dear Mr. Case:

There is a story connected with the attached which the Governor has not time to write about at the moment. Will you be good enough to have it translated and, after reading it, have it handed to Miss Small to be put with other matters for Mr. Strong's attention on his return.

Very truly yours,

M. S. Bleeker

J. H. Case, Esq.,
Deputy Governor, Federal Reserve Bank,
33 Liberty Street, New York.

Enc.

RECEIVED
SEP 10 1925
J. H. C.

OPINION AMERICAINE
SUR LES DETTES DE GUERRE.

Avec cinq ans de retard, la France va envoyer à Washington une commission pour causer de ses dettes avec la "Debt funding commission" américaine.

Quelles que soient les raisons pour lesquelles ces dettes furent contractées et, quels que soient les usages auxquels cet argent emprunté servit, ces dettes existent et alors qu'en 1918 des arguments sentimentaux auraient pu être efficaces, actuellement ils sont trop vieux et ont été trop utilisés par la presse française.

Ce n'était pas dans l'espoir de gains monétaires ou territoriaux que le Président Wilson dirigea sa nation vers la guerre : C'était uniquement par idéalisme, pour la défense du droit. C'était pour faire ce qui lui semblait être juste.

Ces derniers mots peuvent sembler peut-être sonner faux, mais il n'en est rien. L'Amérique contrairement aux autres nations Anglo-saxonnes est très sentimentale et peut, comme un enfant, s'enthousiasmer pour un idéal. Mais cet état d'esprit ne fut pas spontané, comme quelques américains francophiles auraient pu le laisser croire.

On ne s'est jamais rendu compte en France du travail surhumain fait par le Président Wilson durant les années 1915-16-17 pour démontrer à plus de cent million d'habitants que la cause des alliés était celle qu'il fallait soutenir.

La guerre terminée, la France s'attendit à tort à ce que les Etats-Unis continuassent à s'occuper des affaires européennes.

Les Etats-Unis n'avaient rien à gagner à entrer en guerre. Restant neutres, ils auraient continué à fournir des concours financiers importants, ils seraient restés des prêteurs. Du fait qu'ils se sont rangés aux côtés des français, qu'ils sont devenus leurs alliés, doivent ils faire abandon de l'argent prêté ?

Et d'ailleurs, si la France s'y était prise à temps, il est probable que des conditions préférables à celles qu'elle pourra obtenir maintenant auraient été accordées par les Etats-Unis pour le remboursement de ses dettes. Mais devant le silence du gouvernement Français, n'était il pas naturel que l'opinion américaine ait commencé à croire que la France songeait à répudier sa dette ?

Un argument souvent utilisé en France est que l'Allemagne ne payant pas, la France ne peut pas payer non plus. Ceci est exact, mais pas pour la raison que l'on croit et qui en appelle à l'opinion publique.

Le moment opposé pour présenter cette thèse était celui qui vit surgir ce bloc d'illusions appelé le "Plan Dawes".

Il semble très naturel aux français de se dire que l'Allemagne doit payer; malheureusement, pour des raisons économiquement très simples, l'Allemagne ne peut pas payer ce que l'on attend d'elle. Il serait plus juste de dire que l'Allemagne peut et veut payer, mais que nous ne pouvons pas recevoir.

Un comité d'experts n'était pas nécessaire pour expliquer que de l'argent allemand peut-être accumulé à Berlin, mais ce même comité ne fut pas suffisant pour expliquer comment transférer ces richesses.

A ce moment la France aurait du dire à l'Amérique : "Vous ne pouvez pas plus recevoir d'argent de nous que nous mêmes ne pouvons en recevoir d'Allemagne, car votre tarif nous empêche d'exporter. Vous ne voulez pas de produits étrangers et nous ne voulons pas de produits allemands."

Le rapport des experts donnait à la France une chance inespérée pour une explication franche du problème des dettes.

Le seul avantage du plan Dawes fut de fournir une excellente plateforme politique pour le parti républicain aux Etats-Unis. Ce parti avant les dernières élections présidentielles put montrer au peuple américain qu'il avait fait pour l'Europe quelque chose de constructif !

Un politicien américain n'est généralement pas un philanthrope et n'est pas élu à vie. Autant qu'un homme politique français, il désire être réélu. Le parti républicain vient d'être réélu sur deux programmes électoraux parfaitement incompatibles, mais très alléchants pour l'opinion publique : 1^o - Il faut protéger notre industrie par un tarif élevé; 2^o - Les Européens doivent nous payer ce qu'ils nous doivent.

Cela a plu et en conséquence le parti républicain est à la tête du gouvernement.

Il se peut qu'en 1928 le parti démocrate reprenne le dessus, diminue le tarif et permette ainsi à la France de payer ses dettes. Mais il est heureux que la France n'attende pas ce changement lointain et aléatoire pour entrer en pourparlers avec son créancier.

La situation financière de la France est particulièrement difficile, l'Amérique s'en rend compte et il est à espérer que les conditions qui seront faites à sa débitrice seront aussi favorables que possible, étant donné surtout que le paiement en marchandises n'est pas possible, seul moyen permettant un transfert d'un pays à un autre de sommes aussi considérables que celles dont il s'agit.

Il est à souhaiter que la commission française qui va venir prochainement à Washington soit armée d'une grande quantité de sens commun et de sens des affaires. Elle en aura besoin, car elle rencontrera là-bas des américains bien différents de ceux que certains financiers français aiment tant à fêter à Paris.

La commission française devra se souvenir que l'Amérique s'est battue aux côtés de la France parcequ'elle croyait que la France défendait la cause du Droit, pas pour autre chose. Financièrement l'Amérique n'est pas pro-française; elle est pro-business et considère à raison que la sentimentalité dans les affaires est ridicule.

Cette question des dettes est strictement une question d'affaires.

G.F. DORIOT

AMERICAN OPINION ON THE WAR DEBTS

After five years' delay France is going to send a commission to Washington to talk over her debts with the American "Debt funding commission".

For whatever reasons these debts were contracted, and whatever was the use to which this borrowed money was put, these debts exist, whereas in 1918 sentimental arguments might have been effective, now they are too old and have been made too much use of by the French press.

It was not with the hope of pecuniary or territorial profits that President Wilson turned his nation to war: it was purely through idealism, for the defense of the right. It was to do what to him seemed proper.

These last words may seem perhaps to ring *fake* faults, but it is not so. America unlike the other Anglo-Saxon nations is very sentimental and can become enthusiastic for an ideal, like a child. But this state of mind was not spontaneous, as some American lovers of France would have us believe.

In France people have never had any idea of the super human efforts made by President Wilson during the years 1915-16-17, to prove to more than one hundred million inhabitants that the cause of the Allies was the one that should be supported.

When the war was ended France erroneously expected that the United States would continue to occupy themselves with European affairs.

The United States had nothing to gain by entering into the war. By remaining neutral they would have continued to provide the Allies with important financing aid, they would have remained lenders. Because they placed themselves on the French side, because they became their Allies, must they abandon the money that was lent?

And besides, if France had set about it in time, it is probable that conditions preferable to those that she can obtain now would have been granted by the United States for the repayment of its debts. But considering the silence of the French Government was it not natural that American opinion should have begun to believe that France was thinking of repudiating her debt.

An argument often employed in France is that as Germany does not pay France does not have to pay either. That is true, but not for the reason that is believed and that appeals to public opinion. The right moment to present this theory was that which saw rise of that block of illusions called the "Dawes Plan".

It seems very natural to Frenchmen to say that Germany must pay; unfortunately for very simple economic reasons Germany cannot pay what is expected of her. It would be more just to say that Germany can and wishes to pay, but that we cannot receive.

A committee of experts was not necessary to explain that Germany money may be accumulated in Berlin, but that same committee was not capable of explaining how to transfer that wealth.

At that moment France should have said to America: "You cannot anymore receive money from us than we ourselves can receive it from Germany, because your tariff prevents us from exporting. You do not wish foreign products and we do not wish German products".

The report of the experts gave France an un hoped for opportunity for a frank explanation of the debt problem. The only advantage of the Dawes Plan was to provide an excellent political platform for the Republican Party in the United States. That party previous to the last presidential election was able to show the American people that it had done something constructive for Europe.

An American politician is not generally a philanthropist and is not elected for life. As much as a French political person he wants to be reelected. The Republican party has just been reelected on two perfectly incompatible electoral programs, but which are very alluring to public opinion: I-We must protect our industry by a high tariff; II-The Europeans must pay us what they owe us.

That pleased people and consequently the Republican party is at the head of the Government,

It may be that in 1928 the Democratic party will gain the upper hand again, will diminish the tariff and thus permit France to pay her debts. But it is fortunate France does not wait for that distant and uncertain change to enter into negotiations with her creditor.

The financial situation in France is peculiarly difficult, America take that into account, and it is to be hoped that the conditions which are imposed on its debtor will be as favorable as possible, taking into consideration above all that payment in merchandise is not possible, that being the only means that permits the transfer from one country to another of sums as large as those in question.

It is to be hoped that the French Commission that is coming to Washington soon is provided with a large amount of common sense and of business sense. It will have need of it for it will meet with American who are very different from those whom certain French financiers like so much to entertain in Paris.

The French Commission must remember that America fought by the side of France because she believed that France was defending the cause of the right, and nothing else. At bottom America is not pro-French; she pro-business and considers rightly that sentimentally in business is ridiculous.

This question of the debts is strictly a business proposition.

G. Bendelari
Reports Dept.
Sept. 11, 1925.

G. F. Doriot.

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED

SEP 9 1925

U. S. C.

CONFIDENTIAL:

London, England,
August 31, 1925.

Dear Mr. Case:

This is to acknowledge the receipt of your two cables which were received the morning I left Paris:

"No. 17 (test o. k.) Confidential Strong:

ONE Winston advises me confidentially that President has requested Treasury to furnish him complete information regarding French financial and economic conditions. Treasury now working on this. Meanwhile Winston expresses hope you may presently be sending him information that character.

TWO He would also welcome particulars as to loan and credit relationship which existed between Bank of England and Bank of France during war."

"No. 18 (test o. k.) Confidential Strong:

ONE No answer yet my cable 16

TWO Directors McGarrah, Reyburn, Treman, Saunders present today's meeting. Voted to change bill rate effective Monday as per my cable unless strong objections by you.

THREE They all feel action important at this time and that it will not necessarily force earlier action discount rate. Hope you agree."

For lack of time, I was obliged to answer both of these cables by the following open message:

"Case: Considerable information seventeen already mailed. Will supplement. Answered eighteen yesterday."

After reaching London, and having opportunity to see Governor Norman, I sent the following cable from the Bank to supplement the foregoing one:

"No. 3 Strictly confidential for Governor Case:

London, England

FEDERAL RESERVE BANK OF NEW YORK...8.31.25

Mr. Case

(2)

ONE

Referring to your telegram 18 see no objection proposed change bill rates.

TWO

Referring to your telegram 17 further reports by mail next week."

On Saturday I got off a note to Winston, explaining that some time this week I expected to have some figures, and also to have some thoughts resulting from talks with men intimately informed about French finances, which I thought would be interesting and helpful in connection with his studies. It is the best I can do at the moment, but he will doubtless already have my earlier letter. And I have suggested that he get a copy of the one I wrote you on August 26.

Governor Norman and I are expecting the Polish gentlemen to-day; and my time is pretty well mapped out until sailing time, September 9.

My best to all at the Bank,

Sincerely yours,

W. H. C. Hoover

J. H. Case, Esq.,
Deputy Governor, Federal Reserve Bank,
33 Liberty Street, New York.

FEDERAL RESERVE BANK
OF NEW YORK

London, England,
September 1, 1925.

Dear Mr. Case:

The enclosed copy of my confidential letter to Winston will serve to keep you informed of what I have, and may, be able to do in connection with the matter referred to in your cable No. 17.

Because of the very confidential nature of this inquiry, I am hopeful that no mention of it will appear in any of the cables coming through the Bank, which, in the ordinary course, are decoded before I see them.

Sincerely yours,

Re: Arrang

J. H. Case, Esq.,
Deputy Governor, Federal Reserve Bank,
33 Liberty Street, New York.

Enc.

RECEIVED
SEP 12 1925
J. H. C.

FEDERAL RESERVE BANK
OF NEW YORK*Norman***OFFICE CORRESPONDENCE**DATE February 10, 1926 1926To Mr. Case

SUBJECT: _____

FROM Miss Bleecker

I am quoting below a part of Governor Norman's confidential letter of February 2 to Governor Strong, which covers a matter you have been dealing with in his absence:

"The cable which Prosser sent me a few days ago makes the Polish prospects seem rather hopeful, although Hammerling's views are entirely unofficial and expressed by one who is influenced by having lived in the United States. Evidently Prosser is as good as his word and means to be helpful. I hope you will thank him, as in a sort of way I did on your behalf as well as my own in the cable sent yesterday through your Bank.

I am now trying to find out, unofficially and privately and without commitment, what the attitude of the League would be to such a proposal if it were to come from the Polish Government: but it is not going to be easy to get anything definite out of Geneva. "

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COPY OF INCOMING CABLEGRAM

*Letter
from JHB*

*European Sup
1926*

GOVERNOR'S OFFICE
RECEIVED

APR 26 11 20 AM

FEDERAL RESERVE BANK

S S Majestic
Rec'd April 26th 1926.

Federal Reserve Bank,
New York, N.Y.

Testword / 1

J H Case

Many thanks to the gang who seem to know my bad habit

STRONG

B. S. Johnson

Grand Hotel,
Rome, May 23, 1926.

Dear Mr. Case:

It was only the day that we left Paris for Rome that I was finally able to have a last talk with Gilbert regarding his proposal for you to join him in Berlin. I can well understand how you would be attracted by the idea. It would be an exceedingly interesting experience. You would be associated with a wonderful fellow, and the job is one well worth doing. On the other hand, of course, there are disadvantages, the most serious one being the uncertainty as to the future after say two years. Another is possible reduction of income, although comparing living costs in Berlin with those in New York, I should suppose that you might find yourself rather better off than worse. And then there is always the uncertainty of whether you would be suited by the work itself and life in a foreign city where you did not know the language.

I have tried to weigh all the considerations pro and con, just as though I were in your shoes and as though there were no selfish considerations involved. You have done such a splendid piece of work at the Bank, and Gilbert's knowledge of what you have done is so intimate that I am not at all surprised at his renewing the suggestion. In fact, when we talked it over I felt that he had rather set his heart on it. He thinks that the next two or three years will be the most interesting years of all. I know he feels the need of adequate support during the real test period. Then again, I have a feeling since our last talk that you have been a little restless at the Bank.

May 23, 1926.

Now these are the matters that have been going through my mind in endeavoring to write you from a disinterested point of view. I have made up my mind that I cannot give you a very definite view from here. In fact, it would be necessary for me to be at home in order to do so. One reason is uncertainties in my own plans, which have been made clear to you by Mr. Jay, and the outcome of which might have a bearing upon your own decision. I think the best advice that I can give you is to talk with Mr. Jay, Mr. Harrison, and one or two of our directors whom they may suggest. I would be dreadfully disappointed to see you leave the Bank, but I would be equally disappointed to have you stay and then suffer any disappointment later, and that is the part of the situation which I am unable to judge without discussion at home.

You must bear in mind that you have made a position for yourself which has resulted in your having many opportunities to better yourself financially and which I know you have declined out of loyalty to the Bank. The same will be true tomorrow or next year or some years hence, and I think it will be true whether you stay with the Bank or join Gilbert. It may also be true that if you decided to go to Berlin and the work was pretty well concluded after two years there would still be a first-rate opportunity in the System, either with us or elsewhere, but as to that we can only guess.

I suppose you know how difficult it has been to advise some of our fellows when these same questions came up. I have felt in the past that I have been rather selfish about it, and it may be in some cases that I have taken too much responsibility, so my advice is to have the talk as I suggest and to be perfectly sure that, whatever you decide to do, I shall be relieved

May 23, 1926.

if you decide not to go to Berlin, but I shall not blame you if you do decide to go. It would be a big "wince" if you did go and would require a good deal of readjustment in the organization. I hate changes of that sort, with all the hazards involved, but I hate equally to take the responsibility of expressing any urgent views one way or the other which might have so considerable an influence on the future if you followed my judgment rather than your own.

Mr. Gilbert said that he was not in a hurry, so I hope this letter reaches you in ample time. I don't like to send you a letter which is non-committal - in fact, would not do so, were it not that your letter to me showed how greatly tempted you were.

My best to you in any event, but take good counsel from the others at the office.

Sincerely yours,

Mr. J. H. Case,
c/o Federal Reserve Bank,
New York.

BS:M

Hotel du Cap d'Antibes,
Antibes, June 8, 1926.

Dear Mr. Case:

I notice in the minutes of the Officers Meeting of May 24th that we sold \$35,400,000. of June maturities of Governments to J. P. Morgan & Company, delivery on June 14th. The record does not show that this transaction was submitted to the members of the Open Market Committee, of which note should be made in our minutes. I presume they were communicated with, but we ought to have a record of it.

Sincerely yours,

Mr. J. H. Case,
c/o Federal Reserve Bank of New York,
New York.

BS:M

BENJ. STRONG

RECEIVED

JUL 18 1926

Hotel du Cap d'Antibes,
Antibes, June 29, 1926.

J. H. C.
Ans. 7/19/26

Dear Mr. Case:

Thank you for your letter of June 8th with the interesting account of the Treasury and money market matters. This was a novel experience for both the Street and the Bank. In fact, I do not suppose we have had a quarter day now for nine years when we did not have a lot of borrowing to do. At least, it will have the effect of increasing our experience and giving us a better technique. I sometimes feel worried as to what position the Bank may be in when the time comes for the Government to clean up its floating debt entirely.

Of course the outcome of the Pascagoula case is fine, but I would rather have had a decision of the Supreme Court on the merits than a decision by the Circuit Court of Appeals on the merits with the Supreme Court simply denying a writ.

I am relieved about your decision, as you certainly must know that I would be, and will write you more personally about it when I feel moved to do some handwritten mail.

Mr. Warren has been very helpful. He is perched in Paris watching what happens there and keeps me posted from time to time. I am writing Mr. Harrison today about his recent visit. So that you may all have everything that comes to me, I am having his letters and memoranda sent on to you as fast as they come in. They will give you atmosphere which will be helpful in considering anything that develops out of the new Ministry.

Best regards to you and all at the Bank.

Sincerely yours,

Mr. J. H. Case,
c/o Federal Reserve Bank of New York,
New York.

Benj. Strong

Hotel du Cap d'Antibes,
Antibes, June 29, 1926.

Dear Mr. Case:

When the reports came in showing a considerable increase in the borrowings of the First National Bank, and at one time a very large increase, I thought I would try my hand at a letter to Jack Reynolds, explaining to him exactly how I felt about it. I have been holding it since it was dictated, so as to watch the reports and see whether or not borrowing justified sending it. The reports of the last few weeks indicate that it would not be desirable to do so, but I am sending the letter to you, so that you and the others may read it, quietly and privately, and use it as an expression of my views of what we should say to the First National in case it is necessary to discuss this matter with Mr. Reynolds. On the whole, I think it is better not to send the letter anyway, but I am clear as can be that the time has come to have a distinct understanding with them that they cannot lend our money in the way they have in the past.

Sincerely yours,

Mr. J. H. Case,
c/o Federal Reserve Bank of New York,
New York.

BS:M

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
JUL 27 1926
U. S. S.

Coeph

Hotel du Cap d'Antibes,
Antibes, July 9, 1926.

Dear Mr. Case:

I have read yours of June 24th with the greatest possible interest. It gives a fine description of the situation, and I think I understand just what has been doing.

If you succeed in fixing up the inconsistency about the rates charged and received on the quarter days, it would be a fine thing. It does not make a good showing on our books.

Will you also thank Dr. Burgess for his letter of the same date, which I will not answer separately. You might tell him that I received an invitation from Mr. Lombard in rather flowery terms to become a Vice-President of the Stable Money Association. He has annoyed me so that I wrote rather curtly, I am afraid, that I was so out of sympathy with them that I could not accept the invitation.

Also, will you tell Mr. Harrison that I will try and keep him better informed by mail of the way things are going here, but changes from day to day make a letter out-of-date almost before it is mailed, so I shall not attempt it until there is an outcome one way or the other.

My best to all at the office.

Sincerely yours,

BS.

Mr. J. H. Case,
c/o Federal Reserve Bank of New York,
New York.

New York
c/o Federal Reserve Bank of New York
No. 1 N. Canal

Business Letter

My dear Mr. [Name]:

I am sorry to hear of the [Name]

and I am sure you will be glad to hear that I am still in the [Name]

and I am sure you will be glad to hear that I am still in the [Name]

and I am sure you will be glad to hear that I am still in the [Name]

and I am sure you will be glad to hear that I am still in the [Name]

and I am sure you will be glad to hear that I am still in the [Name]

and I am sure you will be glad to hear that I am still in the [Name]

and I am sure you will be glad to hear that I am still in the [Name]

AUG 14 1966
FEDERAL RESERVE BANK OF ST. LOUIS

Very truly yours,
[Signature]

OF NEW YORK

FEDERAL RESERVE BANK

CHIEF FOREIGN OFFICE
PARIS
10 SQUARE DESNOUETTES
(19 BOULEVARD VICTOR)

CABLE ADDRESS: WHEAT

WHALEY-EATON SERVICE

"A CAPITAL INSTITUTION"

FOUNDED 1918

WASHINGTON, D. C.
MUNSEY BUILDING

TELEPHONES:
FRANKLIN { 7679
7727

European Trip
1926

American Letter No. 410.

All Rights Reserved.

Dear Sir:

July 10, 1926.

For Clients Only.

RECEIVED

JUL 15 1926

F. J.

5. WORLD BANKING SOLUTION: Governors Norman and Strong have formulated a plan which will be offered to the various Governments as the formula on which the banks can undertake world stabilization. It involves:

- a. Revision of the Dawes Plan so as to make the Dawes Annuities, in their reduced amounts, well within the capacity of Germany to pay, thus reading value into the Dawes Bonds.
- b. Clearance of all war debt payments through the institution to be formed to receive the Dawes payments and securities. This at once settles the whole question of a safeguarding clause in the French Debt Settlement, for the new institution automatically would safeguard transfers. It means, whatever the technical explanations, the close tying-together of Debts and Reparations, which is what Europe all along has urged.
- c. Modification of the Debt Settlements, including the British Settlement.

Governors Norman and Strong are not authorized, nor do they wish, to make political settlements. They can state the terms on which bankers can achieve results. An undertaking so momentous as this cannot promptly be obtained. "Key" experts are being detached from the Treasury and the State and Commerce Departments, under the guise of going to Europe for their vacations.

7/10/26.

4.

While Mr. Mellon is in Europe the situation will be ready for him. Our information is that the scope of the plan has become so far-reaching that Congressional action may be required. A special session would be summoned, if events seem to require. Mr. Gilbert's decision as to Germany's capacity to pay will be taken at virtually face value. The time now set for the big things to happen is September.

5.

COMMENT: The plan, so far as our information goes, does not involve extensive Federal Reserve credits, except as they may incidentally arise in commerce. Gold backing for the new institution will be requisite, but it can be accomplished largely by earmarking. The best authorities in Washington have slowly reached the conclusion that the simplest and fairest course for the present franc would be for it to follow the course of the mark, and they suspect that has been Briand's only hope of bringing the French public to a realization of conditions. The new plan will probably call for a new gold franc, at the pre-war par. It will be surprising if France is immediately ready to act. Political advice is that the situation in Paris is not yet quite ripe. It will be noted that when the plan is announced it will mean that all conditions have been accepted, whatever the politicians publicly say, and that it is going to work successfully, if the judgment of non-political banking experts means anything.

CHIEF FOREIGN OFFICE
PARIS
10 SQUARE DES SAUVAGES
(93 BOULEVARD VICTOR)
CABLE ADDRESS: WHEAT

Dear Sir:
All Rights Reserved
Western Letter No. 410

Committee recommendations under the terms of which to provide for such amendments
shall be made, subject to the review of the Board of Directors and the Board of
Trustees.

It is the judgment of non-qualified members of the Board of Directors
that the Board of Directors should be authorized to make such amendments
to the Charter of the Bank as may be necessary to carry out the
policy of the Board of Directors and to conform the Charter to the
requirements of the laws of the State of Missouri and the Federal
Reserve Act. The Board of Directors is authorized to make such
amendments to the Charter of the Bank as may be necessary to carry
out the policy of the Board of Directors and to conform the Charter
to the requirements of the laws of the State of Missouri and the
Federal Reserve Act.

It is the judgment of the Board of Directors that the Board of Directors
should be authorized to make such amendments to the Charter of the
Bank as may be necessary to carry out the policy of the Board of
Directors and to conform the Charter to the requirements of the laws
of the State of Missouri and the Federal Reserve Act.

The Board of Directors is authorized to make such amendments to the
Charter of the Bank as may be necessary to carry out the policy of
the Board of Directors and to conform the Charter to the requirements
of the laws of the State of Missouri and the Federal Reserve Act.
The Board of Directors is authorized to make such amendments to the
Charter of the Bank as may be necessary to carry out the policy of
the Board of Directors and to conform the Charter to the requirements
of the laws of the State of Missouri and the Federal Reserve Act.

1/10/50

BS Personal

Hotel du Cap d'Antibes,
Antibes, July 13, 1926.

PERSONAL

Dear Mr. Case:

Many thanks for your very nice letter of June 28th. I found a great deal of difficulty in writing you, as you may well imagine, partly because I was not able to talk things over with you and get a thorough understanding of what was in your mind, as one does by question and answer, and partly because I was torn between considerations applying particularly to myself and to the Bank and those which applied to you and your own desires. Of course, the important thing is for your decision to satisfy you, and the relief which you felt yourself when you had decided is probably the best evidence that you have decided wisely.

Mr. Gilbert has written me about it, and he and his wife were on their way here to join us for a couple of weeks, but unfortunately Mrs. Gilbert was suddenly taken ill in Paris and they are now waiting to see whether she must have an operation for appendicitis. I shall be leaving here in about a week and of course will see him in Paris. I will write you after I talk with him.

Don't you worry about the "gray" days. We all have them. My own are more frequently black than gray.

Now the news you send about Mrs. Case disturbs me very much. If it turns out to be malaria, then I don't believe you need have any anxiety, for it is one of our ailments which is gradually succumbing to scientific treatment.

I shall write Mr. Jefferson today and certainly hope that he will do well with the new organization.

July 13, 1926.

Again, many thanks for your letter. I so appreciate your writing me fully and frankly.

Best regards to you and all at the office.

Sincerely yours,

Mr. J. H. Case,
c/o Federal Reserve Bank of New York,
New York.

BS:M

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED
JUL 28 1926
U. S. A.

C alpha

Hotel du Cap d'Antibes,
Antibes, July 16, 1926.

Dear Mr. Case:

X Referring to the enclosed letter, X-4629, giving the Board approval of a recommendation by the Open Market Investment Committee that Third Liberty Loan bonds be included in those covered by the repurchase agreement practice, it suggests that this was submitted by the Committee to the Board for its approval. No such procedure on the part of the Committee is necessary or desirable. If the Federal Reserve Banks have the right to make contracts of repurchase such as we do, it naturally extends to all types of Government securities. I sincerely trust that the Committee has made no such recommendation to the Board. It confirms the impression in the minds of the Board that the Federal Reserve Banks must first gain their permission before it is possible for them to exercise their statutory powers, and I have always felt that it was a tactical mistake to ask permission from the Board to do things which the statute expressly permits us to do without their authority. Won't you talk this over with the officers of the Bank and write me just what the situation is. X

*Extract
on
410.5*

I have been having a delightful time here the last few days, because I have been feeling so much better. Governor Norman unfortunately has to leave tomorrow, and were it not for that I would be tempted to extend my stay for another few days, but as I am planning to be in Switzerland the first of August to meet Mr. Mellon, I shall leave on Monday, the 19th, anyway. This will probably enable me to go to Switzerland some days in advance of his arrival, so as to have our visit with the officers of the Swiss National Bank.

July 16, 1926.

I was surprised the other morning, at about 11:30, to have Treman's card brought up to me. That is the hour that I am usually dressing in the morning, so I had to keep him waiting and had a very short visit with him, as he was on his way to Nice and Monte Carlo. But he gave me a good report of all at the Bank, and I was glad to hear that you were all well and things were reasonably quiet.

Please give my best to everybody.

Sincerely yours,

Wm. C. Brown

Mr. J. H. Case,
c/o Federal Reserve Bank of New York,
New York.

July 16, 1933

Mr. Case

FEDERAL RESERVE BANK OF NEW YORK

I was surprised the other morning, at about 11:30, to have Truman's card brought up to me. That is the hour that I am usually dressing in the morning, so I had to keep him waiting and had a very short visit with him, as he was on his way to Nice and Monte Carlo. But he gave me a good report of all at the bank, and I was glad to hear that you were all well and things were running smoothly.

Please give my best to everybody.

Sincerely yours,



RECORDED

Mr. J. H. Case,
c/o Federal Reserve Bank of New York,
New York.

Hotel de l'Europe,
Amsterdam, August 3, 1926.

Dear Mr. Case:

I was amused by the comment in the minutes of the Officers' Council of July 12th in regard to Mr. Max Radt. If he wishes to take the matter up with Governor Crissinger, Col. Mac Intosh and President Coolidge, let him do so, but I think he should be warned that such a proceeding will do no good and might result in our having instructions to be a great deal more particular in regard to his borrowings, etc. than we have been upon our own initiative alone.

Sincerely yours,

Mr. J. H. Case,
c/o Federal Reserve Bank of New York,
New York.

BS:M

B.S. Personal

Hotel de l'Europe,
Amsterdam, August 3, 1926.

PERSONAL

Dear Mr. Case:

You may have learned that while Mr. and Mrs. Gilbert expected to come to Antibes for a visit, Mrs. Gilbert was suddenly stricken with appendicitis, had to have an operation, and this was done last week and was entirely successful. But I did not see Mr. Gilbert until reaching Paris, and then we left almost at once to meet Mr. Mellon.

He was terribly disappointed at the answer he got from you, and I am not writing to suggest any change in your decision, but I thought you ought to know how disappointed he was and apparently how earnest he was in his desire to have you join him.

There was not much that I could say, for your cable and letter to me indicated how final your answer had been. I told him that I did not think a leave of absence could be expected; the time is too indefinite, and when a man left an organization like ours, the ranks closed in and it was very difficult to rearrange matters a year or two later so as to avoid injustice and disappointment. I did think that, were I to resign, it might be that the Directors would feel that this did not necessarily terminate the possibility of your becoming my successor, although it would likely reduce it. It would depend upon whether they felt that you were the one for the job, in the first place, and next upon whether a long absence might not have created a situation where someone else would be entitled to the promotion.

I am writing this because I think you ought to know exactly what transpired and especially to know how Mr. Gilbert felt, as that is indeed a bit of a

2.

Mr. Case.

August 3, 1926.

satisfaction in itself. This business of being away from home is not all that it is "cracked up" to be. I miss the Bank and would like to be back there right now.

With best regards,

Sincerely yours,

Mr. J. H. Case,
c/o Federal Reserve Bank of New York,
New York.

DS:M

Case

November 8, 1926.

The following message came ^{this morning} from Governor Strong, pencilled
on one of his personal cards: H. A. Burke.

"Dear Mr. Case:

The flowers are wonderful but the message is the best
of all. My love to everybody. See you all soon.

B. S."

FEDERAL RESERVE BANK
OF NEW YORK

TELEGRAM

DIVISION _____

COMMERCIAL WIRE—INCOMING

DECODED _____

CHECKED _____

COMPANY _____

ATTENTION _____

TRANSLATION COPY

160WU M 17

ASHEVILLE NCAR 155P JAN 5 1927

J H CASE

F R B NEWYORK NY

7 0 9 5

*Noted
J.H.C.
B.*

MY TELEPHONE IS ASHEVILLE SEVEN NAUGHT NINE FIVE AND
NOT ONE EIGHT THREE SEVEN AS FIRST ADVISED

STRONG

212P

W. T. 11.1 30 M 1-20
FEDERAL RESERVE BANK
OF NEW YORK

TELEGRAM

DIVISION _____

COMMERCIAL WIRE—INCOMING

DECODED _____

CHECKED _____

COMPANY _____

ATTENTION _____

TRANSLATION COPY

48WU M 31 BM BILTMORE NC AR 1027A JAN 5 1927

HERBERT CASE

NY

FOR OBVIOUS REASONS AM REPLYING YOUR WIRE DIRECTLY
TO OWEN FROM WHOM I SUGGEST YOU GET A COPY / MY TELEPHONE
NUMBER IN CASE OF NEED IS ASHEVILLE ~~1077~~ 7095

STRONG

1116A

Personal Files
B.S.

Originals file 592

Biltmore, N. C.,
February 13, 1927.

Dear Mr. Case:

Recent discussion of a possible change in our rate has led me to go over the data which has been sent me by Dr. Burgess, with a view to writing you this letter as soon as Mr. Moore arrived.

The object sought to be accomplished by the rate policy, and even more by our open market policy, of the past few years must be kept in mind in connection with any proposal just now to reduce rates. In other words, unless I am mistaken, changes in our rates just now must be viewed from a secular rather than a seasonal point of view.

After the liquidation of 1921, the various Reserve Banks, with the possible exception of New York, purchased large amounts of Government securities in order to make earnings. The motive of the New York Bank was quite different from this and was designed, as you know, in order to give us a better hold when later needed upon the credit situation as a whole, and especially to enable us to offset the quite probable menace of excessive gold imports by later sales. These purchases resulted in a period of considerable ease of money and, whether by coincidence or otherwise, there was a considerable business revival at about the same time. In fact, late in 1922 and in the early Spring of 1923 it looked as though we were to have a runaway speculation both in securities and in commodities. At that time the Reserve Banks liquidated almost all of their securities, so that by early 1923 rates had stiffened a great deal; our discount rate was then at $4\frac{1}{2}\%$, market rates were 5% to 6% , and there was quite a bit of

liquidation in the stock market and considerable pressure for funds from time to time, although nothing panicky. Throughout that year, and especially by the late Fall, there developed a good deal of uneasiness about the general banking situation in the West, equally some uneasiness about the condition of the foreign exchanges, and you will recall that there were all the evidences of an approaching setback to business, that appearing especially in the steel and iron business, in the New England textile mills and in automobile manufacturing.

In the late Fall and Winter of 1923 we undertook large purchases of securities under the more organized control of the Open Market Committee, and the objects then to be accomplished were definitely the following:

(1) To take the pressure off the banking situation for the relief of the distress which was developing, by creating more of a borrowers' market in place of what had been continuously a lenders' market;

(2) To lay the foundation for reducing rates and giving some stimulus to domestic business;

(3) To open our investment markets to foreign borrowers and by so doing arrest the flood of gold imports which we were then experiencing, and if possible lay the foundation for resumption of specie payment in Europe.

There were other considerations at first, but these were the principal ones. It resulted - or else simply by coincidence, as is claimed by some, - there developed a rather happy outcome in all three of these respects. I have been inclined to attribute the arrest of bank failures, the business recovery and the distinct progress towards resumption of specie payment abroad more definitely to our policy than others have been willing to admit, but at the least, I think it must be conceded that, had we not adopted this policy, despite everything that

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 facturing.

In the late fall and winter of 1929 we undertook large purchases of
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 the distress which was developing, by creating more of a borrower's market in
 place of what had been essentially a lender's market;

(2) To lay the foundation for reducing rates and giving some stimulus
 to domestic business;

(3) To open our investment markets to foreign borrowers and by so do-

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distinct progress towards resumption of specie payment almost more definitely to
 our policy than others have been willing to admit, but at the same time I think it
 must be conceded that had we not adopted this policy, despite everything that

might have occurred, no such outcome would have been possible. We succeeded in getting our discount rate as low as 3%, and since that time, in fact since 1923, we have been lending over a billion dollars a year to foreign borrowers and all but three important countries - France, Italy and Poland - have resumed in greater or less degree specie payment.

There have been ups and downs in business, some changes in our discount rate, and considerable open market operations since the low point in interest rates in 1924. In fact these changes, which have been largely attributed to the fluctuations of speculation in stocks, real estate and building, are probably the oscillations, to borrow an expression of Malthus, which are characteristic of business at any time, but the main point is that we have had a period of stability such as has not been experienced in this country since the commencement of the War. But with the changes above described, from a period of some hazard and uncertainty to those which now prevail, the question is whether the outlook justifies a rate change at the present time and what is to be accomplished by such a change.

As to domestic conditions, all the figures that have been submitted to me and even allowing for the inevitable lag between the facts at the moment and those exhibited by statistics, I cannot believe that there is anything alarming or even doubtful at the moment in the business outlook, except that which is exhibited by the considerable decline in the value of farm products. A reduction in our rate, in my opinion, would have no influence whatever upon those prices. Our mills are busy, labor is fully employed, and money is neither unduly easy nor dangerously tight. At the present level of interest rates, we are continuing to lend largely to Europe, but there is not an artificial market stimulating an unhealthy development of such loans. The active and rather dangerous speculation of a few months ago on the Stock Exchange

might have occurred, no such outcome would have been possible. We are

convinced in getting our discount rate as low as we can and since that time, in

fact since 1933, we have been leading over a billion dollars a year to foreign

countries and all but three important countries - France, Italy and Poland -

have returned in greater or less degree specie payments.

There have been ups and downs in business, some changes in our dis-

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A reduction in our rate, in my opinion, would have no influence whatever upon

these prices. Our mills are busy, labor is fully employed, and money is

neither nearly easy nor dangerously tight. At the present level of interest

rates, we are continuing to lend largely to Europe, but there is not an arti-

ficial market attaining an unhealthy development of such loans. The active

and rather vigorous speculation of a few months ago on the Stock Exchange

seems to have been arrested for the moment. While we are getting some gold, it has not yet developed any strain upon the foreign banks of issue, certainly not enough to justify a change in our rate policy. Sterling in fact has been somewhat stronger the last few days and only under most favorable conditions can any gold come to us except that which is described by Governor Norman as "the fugitive gold which nobody wants". The fears apprehended by our British friends that the period of payment for cotton, foodstuffs etc. by England would prove to be a serious strain upon the exchanges this Spring have so far not materialized. In other words, I see no definite, effective argument in favor of lower rates. There are, however, some rather strong arguments for not reducing.

First among these, I would put the question of foreign loans. Our computations at the Bank indicate that the service of private loans placed with our investors during the last few years calls for remittances to this country of about 750 million dollars a year, that is, interest and amortization. Add to this payments being made to our Government by foreign Governments and it brings the total to near a billion dollars. There might have been considerable strain on the exchanges at this time in order to meet this burden, had it not been that during the last six months there has been a very heavy return flight of capital from this country to Europe which has furnished dollars to foreign Governments and doubtless to many private borrowers in this country to meet the charges on these loans. That movement will of course stop in time - that is, it will exhaust itself and no longer furnish the means of making dollar payments. If we should now reduce our discount rate, what pressure now exists to repay the rather large amount now owing to the Reserve Banks will be relieved until money rates ease off, as in time they may, and I would fear that the surplus bank funds which are likely to accumulate from now on, in-

APR 21 1927

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stead of being applied to repaying the Reserve Banks, would seek an outlet in these new loans and the tendency for the banks of the country to invest their money would be unwholesomely stimulated. We must not overlook that during the last few years investments by the banks of the country have increased by a good many billion dollars, and this is not always a healthy sign. The high rates of interest paid by foreign loans present a strong inducement for member banks to buy 6%, 7% and 8% securities and borrow from us at 4%.

(2) The inducement of low rates to accomplish the important purposes we had in mind in 1924 involved, as we then realized, considerable risk in bringing on speculation in securities and other things. The risk was justified by the great objects to be attained, and I do not for a moment regret that we took them. On the other hand, as to specie payment abroad, those objects have been accomplished except as to France, Italy and Poland. With the exception of Poland, no large Government loans will now be required for the resumption of specie payment. Bank credits will probably be sufficient, except for possibly a \$50,000,000 loan for Poland. So there is no particular object to be accomplished by low rates as to European restoration.

(3) If, as seems to be the case, the conduct of the country's business at its present volume and at the present level of prices is adequately supplied with all the credit and all the currency needed, I can see great advantages to be gained by going into the period of easy money this summer with a 4% rate and with ample inducement to the banks to use surplus funds to reduce the amount borrowed from us, that is, from all Reserve Banks. With our earning assets at a billion dollars and with a considerable recent addition to our gold, it strikes me that we may indeed have a surplus of credit in the country now, or at least a surplus over what would be required during the dull summer period, and certainly that surplus is better used in repayments to Reserve Banks than

APR 21 1921
FEDERAL RESERVE BANK
ST. LOUIS, MO.

Mr. Case

of being applied to repaying the Reserve banks, would seek an outlet in these new loans and the tendency for the banks in the country to invest their money would be unambiguously stimulated. We must not overlook that during the last few years investments by the banks of the country have increased by a good many billion dollars, and this is not always a healthy sign. The high rates of interest paid by foreign loans present a strong inducement for member banks to buy U.S. Treasury and Government securities from us at 4%.

(2) The inducement of low rates to accomplish the important purposes we had in mind in 1920 involved, as we then realized, considerable risk in indulging in speculation in securities and other things. The risk was justified by the great objects to be attained, and I do not for a moment regret that we took them. On the other hand, as to specie payment, those objects have been accomplished except as to France, Italy and Poland. With the exception of Poland, no large Government loans will now be required for the resumption of specie payment. Bank credits will probably be sufficient, except for possibly a \$20,000,000 loan for Poland. So there is no particular object to be accomplished by low rates as to European resumption.

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2/13/27.

in inducing any Stock Exchange speculation.

When Mr. Woolley and Mr. Reyburn were here, we had a little discussion along these lines, and I took the position that my mind was open until I knew more of the facts, but I thought at the time that a rate reduction would not arrive until a considerable amount, possibly 200 millions or more, had been applied to reducing Reserve Bank assets. The figures which have recently come to me confirm this view. While I would not advocate doing so at the present time, I think later on, if we find that the New York banks get out of debt to us almost entirely, I would then recommend selling just enough of the System's holdings of securities to keep the market for the surplus funds of the Street from getting much if any below 4%, but I would not do this until rates got down to a point where every bank that is borrowing from us will be induced to repay us rather than to maintain a Stock Exchange loan account.

I have a feeling from letters now in hand that you and Harrison and Burgess also feel this way. The important thing now is to present the picture to our directors in graphic form, which I believe has been done, as well as in argumentative form, concerning which I have no advice. Won't you let me know what the outcome of the next discussion is, as I am now prepared definitely to recommend that no change be made at present.

Best regards to you and all the others at the Bank.

Sincerely yours,

Mr. J. H. Case,
33 Liberty Street,
New York City.

BS:M

APR 21 1927
RESERVE BANK

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argumentative form, concerning which I have no advice. Won't you let me know
what the outcome of the next discussion is, as I am now prepared definitely to
recommend that no change be made at present.
Best regards to you and all the others of the Bank.
Sincerely yours,

Mr. J. H. Cress,
33 Liberty Street,
New York City.

P. S. - In reading over the second page of this letter, I notice that I omitted to refer to a very important object of our policy of 1923, namely to seek to protect our export trade by opening our markets to foreign borrowers. This was in fact one of the principal arguments used in Washington, where it was effective because the class most seriously affected by inability of Europe to buy our exports was the farmers.

As to domestic conditions, all the figures that have been exhibited to us and even allowing for the inevitable lag between the facts at the moment and those exhibited by statistics, I cannot believe that there is anything alarming or even doubtful of the moment in the business outlook, except that which is exhibited by the considerable declines in the value of farm products. A reduction in our rate, in my opinion, would have no influence whatever upon these prices. Our mills are busy, labor is fully employed, and money is neither unduly easy nor dangerously tight. At the present level of interest rates, we are continuing to lend largely to Europe, but there is not an artificial market stimulating an unhealthy development of such loans. The active and rather dangerous speculation of a few months ago on the Stock Exchange

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Mr. Case
APR 21 1927

7

FILES DIVISION
APR 21 1927
FEDERAL RESERVE BANK

1. 5. - In reading over the second page of this letter I noticed that I omitted to refer to a very important object of our anxiety to seek to protect our export trade by opening our markets to foreign horticulturists. This was in fact one of the principal arguments used in reading that, where it was effective because the claim most seriously affected by horticulturists of Europe to buy our exports was the farmers.

[The following text is extremely faint and largely illegible due to fading and bleed-through from the reverse side of the page. It appears to be a continuation of the letter's body text.]

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., February 20, 1927.

Dear Mr. Case:

Yours of the 17th reached me yesterday and I am delighted that there is a prospect of having a visit with you. The last of this week or next week, I am expecting Mr. Harrison and Mr. Monnet to be here with me, and probably the Polish Ambassador, together with Mlynarski and his companion, will be here stopping at the Country Club, all for the purpose of discussing Polish finance.

I have been looking over the map to see what sort of a trip you would have by motor. It looks as though it would be about 250 miles. The roads are indicated as improved but not paved, and of course they are very hilly. I do not know about the train service; that you would have to look up.

I would be delighted to have a visit with you, and if you cannot make it on this trip, possibly you could make a special trip down later. I will leave it entirely to you, but won't you let me know by telegraph on receipt of this, so that I can make plans?

I am writing you at the Bank about the organization matter, which seems all right. It certainly is time you had a rest, and I am delighted that you can arrange to get it. I always feel guilty when I am away myself and interfere with a reasonable amount of leisure for those who are doing most of the work. Just now it is particularly hard on account of Mr. Jay's absence. I would like awfully well to talk over all these matters with you quietly at the first opportunity.

Sincerely yours,

Mr. J. H. Case,
c/o Carolina Hotel,
Pinehurst, N.C.

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED

MAR 1 1927

J. H. C.

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., February 27, 1927.

Dear Mr. Case:

Yours of February 25th just reaches me. I am so glad you had a good rest. It would have been too much a sacrifice of time to have made the trip to Asheville, as I now realize, although I did not when I wrote you. The plans for my week-end visitors changed almost every day, and finally they are not reaching here until tomorrow, so we would have had room enough at the house for you to stay. But I wanted to make sure you understood that, when I wrote you, the plan was for them to come down at the end of last week.

There is no news to send you from here, except that I am getting along about as expected, and day before yesterday had my first walk. It was not very long but gave me a feeling of satisfaction that, at any rate, I had not forgotten how!

Just as soon as I am certain about my other visitors, which may include Mr. Reyburn, who is thinking of coming down for about a week, I will let you know and see if we cannot arrange for a little visit here. I am very anxious to have the opportunity, if you can make it.

Sincerely yours,

Wm. Strong

Mr. J. H. Case,
33 Liberty Street,
New York City.

New York City
33 Broadway Street
N.Y. 1 N. City

ST. LOUIS, MO.

I am pleased to have the opportunity to do business with you. I have been advised that you are interested in the purchase of the following securities:

1. U.S. Government Bonds
2. U.S. Treasury Notes
3. U.S. Treasury Bills

I have enclosed herewith a copy of the prospectus for each of the above securities. I am sure you will find them of interest.

Very truly yours,
J. Edgar Hoover

Enclosed for you are the following securities:

1. U.S. Government Bonds
2. U.S. Treasury Notes
3. U.S. Treasury Bills

I am sure you will find them of interest.

Very truly yours,
J. Edgar Hoover

Dear Mr. Hoover:

Yours truly,
J. Edgar Hoover

ST. LOUIS, MO. APRIL 24, 1934
ST. LOUIS, MO.
FEDERAL RESERVE BANK

OF NEW YORK

FEDERAL RESERVE BANK

APR 1 1934
RECEIVED

March 14, 1927.

Dear Mr. Case:

Mr. Harrison has sent me a copy of his memorandum to you of March 9 with regard to our visitors from abroad. You may explain that everyone of these gentlemen are warm friends of mine, and as to Dr. Vissering and President Bachmann, I am under a good deal of obligation to them because of many courtesies and much hospitality which they have shown me when I have been abroad. Dr. Vissering speaks English very well; Mr. Backmann, fairly well. They are both anxious to get a thorough acquaintance with the Reserve bank. I really hope we can give them a good reception and make them feel at home, and that we have made something of a fuss over them. Confidentially, I have a feeling that Dr. Vissering is getting a bit old. He has recently married a second time and I imagine is here partly to make us a visit and partly as a wedding trip. His wife you will find very charming indeed. I met her in Holland last summer before they were engaged. Of course, Dr. Vissering has a very high position in Europe. President Bachmann, however, I rank very high in ability. He is a quiet, conservative Swiss, from the German side of Switzerland, as distinguished from the French side. He has had a splendid record in the bank since his election two years ago, and I believe is one of the coming men in Europe in central banking.

Mann, of the Bank of England, is a fellow to turn loose in the bank. Show it to him from top to bottom, get him interested, and give him a good time. He is an Irishman, and I guess he would enjoy it. Spencer-Smith is a quiet fellow who has been doing at times special work for Governor Norman in connection with European matters.

He is one of the young directors of the bank, but a fellow of considerable ability, and his influence in the bank is growing.

I am sorry not to be there to give you a hand with all of these visitors. If my plans are approved by Dr. Miller, to whom I am writing, I shall be in New York for a day or two about April 1. Then I want to spend a couple of weeks in Atlantic City, and after that go back to New York for a very gentle introduction to work again.

This is the best I can forecast before I hear from the doctor.

Sincerely yours,

Mr. J. Herbert Case,
Federal Reserve Bank,
33 Liberty Street, New York.

JMB

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 15, 1927

TO Mr. Case

SUBJECT: _____

FROM Governor Strong

I am enclosing copies of some memoranda sent me
by Mr. Snyder, which I think you and Mr. Harrison may like to
read.

Noted

March 16, 1927.

Dear Mr. Case:

Your telegram has just come. Be sure to get off the train at Biltmore, which is just before Asheville. Phil and I will meet you on arrival Saturday morning at 10:10.

Sincerely yours,

Mr. J. Herbert Case
Federal Reserve Bank,
33 Liberty Street, New York.

FEDERAL RESERVE BANK
OF NEW YORK

TELEGRAM

DIVISION

COMMERCIAL WIRE—INCOMING

DECODED _____

ATTENTION _____

TRANSLATION COPY

CHECKED _____

COMPANY _____

5WU C 19 ASHEVILLE NC MAR 22 605P

J H CASE FRB NY

SORRY I OVERLOOKED THE DATE VISSERING HAD BETTER DEFER
VISIT AND I CAN SEE HIM EITHER NEWYORK OR ATLANTACCITY
STRONG

844A MAR 23RD

RECEIVED

MAR 23 1927

J. H. C.

TELEGRAM

MAR 24 1927

COMMERCIAL WIRE—INCOMING

DECODED _____

J. M. O.

CHECKED _____

ATTENTION _____

TRANSLATION COPY

COMPANY _____

6WU M 54 COLLECT NL ASHEVILLE NC MAR 23

J H CASE FRB NYK

THE TIME SUGGESTED WILL SUIT ME ALL RIGHT PLANNING
ARRIVE NEWYORK APRIL FIRST SEE DR MILLER THEN IMMEDIATELY
TO ATLANTICCITY IF MISS BLEECKER HAS ARRANGED ACCOMMODAT-
IONS SUGGEST THAT THIS BE PROMPTLY ATTENDED TO WOULD NOT
OBJECT IF BOTH WERE THERE TOGETHER OR SEPARATELY AS THEY
PREFER TWO OR THREE DAYS WILL BE SUFFICIENT

STRONG

910A MAR 24

FILED
MAY 19 1934
FEDERAL RESERVE BANK
OF ST. LOUIS

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 23, 1927

TO Mr. Case

SUBJECT: _____

FROM Governor Strong

Handwritten signature and scribbles

3/18

I am returning the report on foreign developments, and wish you to note the underlined figures relating to France and those relating to Hungary, which are obviously incorrect. I have a feeling sometimes that figures of this sort are prepared by hand, turned over to the typists, and then sent out without comparison, and typographical errors occur which render the reports either misleading or useless.

You can well see how the omission or the addition of three cyphers such as those relating to French foreign trade make a report very puzzling.

Would you mind speaking to them about it and ask if they cannot make arrangements for careful comparisons.

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED

JUL 18 1928

J. H. C.

Royal Hotel,
Evian-les-Bains, July 3, 1928.

PERSONAL

Dear Mr. Case:

This is a very belated reply to your fine letter of June 7th. Thank you very much for the full and interesting reports. I am especially gratified by your interest in the Princeton Collection. It is better for me to discuss the matter with you on my return than to attempt to cover it by correspondence.

Your letter is now so old that there is nothing especially that I can comment upon, beyond what I have written in a personal letter to Dr. Burgess, which I hope you will read, and one other matter not directly mentioned.

The report of the Federal Advisory Council includes a recommendation to turn over all holdings of Government securities by Reserve Banks to the control of the Open Market Investment Committee. Apparently the Committee has taken no action. My view is that, as to any general investment account by the Reserve Banks, that would be a wise thing to do. On the other hand, it would be most unwise if it appeared to be defeating the purpose of the Federal Reserve Act expressly providing that the Reserve Banks are authorized to deal in Government obligations. Dealing in Government obligations is one thing quite different from accumulating a large investment account which has an effect upon the money market and cannot but affect the general policy of the System as a whole. It seems to me there are three possible ways of dealing with the subject:-

7/3/28.

The most extreme method would be to have all transactions in Government securities conducted for account of the Committee and all holdings subject to the Committee's general jurisdiction. This I would not favor. *no!*

A second method would be to endeavor to compensate purchases or sales made by Reserve Banks individually, by offsetting sales or purchases made by the Committee account, and to include those private holdings in the apportionment in some way, so that no Reserve Bank would gain any particular advantage by a separate investment account. This is difficult to do and might result in conflict of opinion within the System. *# This is not a practice*

A third plan might be to leave the Reserve Banks quite free to deal in Government securities by themselves with their member banks, with the definite understanding that any permanent holdings would only be acquired through the Committee and be part of the Committee's regular account, such other dealings as were conducted by individual Reserve Banks being purely temporary in the interest of members. This last suggestion I like the best.

While I had a rather hard time for a while, since arriving here, as Mr. Harrison doubtless explained, there has been a marked improvement in the last week or so, especially since Dr. Edouard Rist in Paris gave me some very good advice, and I feel encouraged that when I sail for home on August 1st I will have a good report to make.

Please give my best to everybody at the Bank. I hate to be away and not write regularly, but this time could not avoid it. And again, thank you for your fine letter.

Sincerely yours,

Mr. J. H. Case,
33 Liberty Street,
New York.

Ris: wrong

FEDERAL RESERVE BANK
OF NEW YORK

*Read by
Mr. Harrison
Aug 21/28 J.M.*

Royal Hotel,
Evian-les-Bains, July 19, 1928.

PERSONAL

Dear Mr. Case:

I was delighted to have your letter of July 6th, which came yesterday and which gave me a fine budget of news, all of which I enjoyed reading.

It is deplorable that Chicago is unwilling to take a more "System" point of view about rate changes and our policy generally, and it would have been far better had they and we exchanged views before they made the increase. Mr. Harrison's cable gave me so little up-to-date information that I could only have a snap judgment as to our own proposed increase. After reading the material you now send me, although still feeling the need for more of the atmosphere of things at home, I have the impression that it might have been a little better for us to have delayed the change until other Reserve Banks had increased to 5% and the pressure of borrowing from us in New York had further increased. This view, however, might be quite different if I found that Government financing and other like matters would have tied our hands for a considerable period.

I have sent for the copy of the "Statist" containing Dr. Miller's article. If it is as I surmise, it is a most unfortunate development and indicates his unwillingness to cooperate in executing the views of the majority of those who run the Federal Reserve System. If each of us rushed into print with criticisms of the decisions of our associates in that fashion, it would not be long before Congress would rip the Federal Reserve

System all to pieces, and frankly, it strikes me as disloyal and dangerous in the extreme.

What you write about the Bancitaly Corporation affords me the opportunity of being really unpleasant and saying "I told you so". I would not incline to be lenient in the matter of distribution of the stock of the Bank of America. Those folks had ample warning of our views, they took no steps such as prudent people might have taken, and now with Giannini ill it is not a situation to regard with equanimity. I am glad the bubble has been reduced without any calamity resulting. The best thing they can do is to strengthen their cash position, even though it involves taking some losses. They ought to convert some of their securities and buy Government short obligations, and be ready for any stormy weather that arises. If they do not do that, then they may indeed face a serious time. I was so emphatic about this at the time the Bank of America matter arose, and in fact in the earliest interview with some of our friends who called to discuss the proposed trade with the Jonases, that it is hardly necessary for me to reiterate now. We don't want that outfit in New York, and what we do want, and as promptly as possible, is to see the Bank of America owned by actual bona fide stockholders and entirely detached in the public mind from being complicated with the affairs of the Bancitaly. I do hope we are firm with them in dealing with the situation.

It was a great shock to learn of Arthur Salomon's death. He has been a loyal friend of the Bank's from the beginning, and now you will need to review the situation and make certain that your contacts and arrangements are as satisfactory as can be made with someone in his place.

What you write about the Princeton Library Fund is most inter-

7/19/28.

esting. I will talk it all over with you when I get back. You certainly outstrip me handsomely as a money-raiser, for I am a mighty poor hand at it.

I am sorry to be away while all these interesting developments are occurring, but I have been having a rather interesting time myself, with various visitors which so far have included: Dr. Schacht, Dr. and Mrs. Vissering, Dr. Bachmann, Mr. Dewey, one long visit with Sir Arthur Salter and his associates in Geneva, and today I expect Governor Franck and tomorrow or day after Governor Stringer and his son.

Please give my best to all at the office. I will be seeing you now very soon.

Very sincerely yours,

Ree: Strong

I can't tell you how much I enjoyed your fine budget of now.

Mr. J. H. Case,
33 Liberty Street,
New York.