

FIFTEEN NASSAU STREET
NEW YORK

August 27, 1921.

George L. Harrison, Esq.,
15 Nassau Street,
New York, N. Y.

Dear Mr. Harrison:

Governor Strong desires the pleasure of your company at dinner on Tuesday evening August 30 at 7:30 p. m. at the Metropolitan Club this city, Fifth Avenue and 60th Street, given in honor of Governor Norman and Sir Charles Addis, at which our directors will be present. Dinner coats will be worn.

Also, he desires that you will keep your luncheon engagements next week free so that all may lunch each day with our guests at 1 o'clock in the Officers' Lunch Room. You, of course, understand that no publicity should be given to any of the above.

Sincerely yours,



January 24, 1923.

Dear Harrison:

Of course, it was to be expected that you would have some pretty uncomfortable days and nights after your operation. I do not want you to be discouraged by it. I have been through that sort of thing so much myself that I have come to believe that one's apprehensions become distorted by pain and that the glorious day arrives when one is about again as sound as ever. The important thing is for you to take care of yourself and not be impatient to get back to the bank.

To relieve your mind, let me say that the Governors' Conference program is all under way in Miss Bleecker's hands; the meeting will not be held until the last of March, and by the time you get back to the bank, all the material for the program will be ready for you to tackle. The Porto Rican matter is all fixed up and a report has gone to the Reserve Board, and Mr. Gilbart is fully familiar with it. Also the special payment to the clerks has been authorized and made, and I gather that the organization is pleased. Dr. Miller is laid up but Mr. Mitchell is back on the job. After a chat with my doctor, I decided to leave to-morrow for southern Georgia with Ed Stettinius to loaf in the warm ^{can hit} climate and if I feel equal to it, shoot a few quail (if I ~~can~~ hit them).

So please take care of yourself, and do not be restless about the bank. -- It won't run away in your absence.

Yours sincerely,

Mr. George L. Harrison,
c/o Union Protestant Infirmary,
1514 Division St.,
Baltimore, Md.

BS.MM

From
Harriet C. Baker

FIFTEEN MASSAU STREET
NEW YORK

Bragg mor. June 15/23

Dear Mr. Haroussei -

It was fine to have a letter by your own hand and receive them & have heard via the mail of your progress, and of your disengagement too. But you are over the worst of it. The cure - any cure - for any tubercular trouble takes time!

"It's was," said the knight, "but it's very very beautiful" to get much well!

Doat you boiter to write me. Take good care of yourself. That's the only letter or communication of any kind I want from you until I see you wholly recovered.

The enclosed pictures, taken by my son Bill, may amuse you.

I can't make out from the newspapers whether the Bar Case is a 100% victory, or not, & have sent for the papers of

appeal. if granted.

Things rock along with me. I had a little
let down due to Coughing - which reddened
my nose a bit - but it's better than ever
now, & I see no chance for anything but
a prompt & complete clearing up by far.

Am taking sun baths inside and out. As
Frederick, Ethical it was, said of air for I.B. folks,
"Take fresh air internally, externally, & externally,"
& that's what I also do with the sun.

So far across about the office. Then off the reef
we'll raise when we get back together as far
as new money! Good luck to you, & keep
resting! Air & sun & food & rest!

Yours

128.

Next time I do this I borrow buy or steal
Miss Bleeker for me mate!

FEDERAL RESERVE BANK
OF NEW YORKFrom
Hiram C. Allen

OFFICE CORRESPONDENCE

DATE Sept 17 1923TO L. D. H.

SUBJECT: _____

FROM D.S.

Dear Mr. Garrison:

I have 4 letters from you. All, I hope, will not do justice to my feelings of satisfaction that you are back & my pleasure in hearing from you.

True about business. Our collections will not be scored till we face the question squarely. It's an imperfect presentation by the board - but am not a bit afraid of an honest, frank statement by you or Tag or any Reserve Bank men who are able to do the job. (With exception of Harding)

Never in my experience has an honest & truthful statement of facts, in such matters, done harm!

My point of view in detail has already been sent to you. Here you will read it.

Now about yourself. Please go slow!

I want you to eat & rest. Dr. Rolliers

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE

192

To _____

SUBJECT: _____

From _____

new book, in English, on Alpine Skating - as
practiced at his place in Lenzer, Switzerland
& be prepared to consider using that lamp
on your knee - under good advice!

Am doing famously - & hope to be back
by Nov. 1st, earlier if wise.

Many thanks for your letters!

Yours
BS.

From
Harrison Collection

OFFICE CORRESPONDENCE

DATE Sept. 20, 1923. 192

Mr. Harrison

To _____

FROM Mr. Beyer

SUBJECT: _____

Please note that Mr. Strong's address in future will be

c/o Mrs. H. P. Davison,
Broadmoor,
Colorado Springs, Colorado.

where all communications should be sent to him.

FIFTEEN NASSAU STREET
NEW YORK

Broadmoor.

Dec 26/23.

Dear Mr. Harrison -

Yours of the 22^d have been
come! Thank you for the news, both good and
bad. Mr. Astor's says that we should
get before the McFadden Com. the two most
important things:

a. The trifling amount involved with
Clearing House Co. & charge -

b. The stupendous sum of the tax if
all country banks charged say 1% $\frac{1}{2}$ exchange.
I suggest a. because Astor & Peirce
made the country believe that these charges were
revenue for the big C. House banks.

"B" will get publicity & should make folks
sit up and think, - especially in Congress.

then support these figures with the whole
logical story - Tarr's article was excellent.
Is it to be used?

My other suggestion for the Conference is
what you will find in the copy of my recent
letter to Muller: Commenting on Gilbert's letter
to our Ratio & Open Mkt. Policy. Please
show it to you. Put it on the program.

Don't work too hard! I'm beginning to
feel a bit anxious about it.

Yours

B.S.

FIFTEEN NASSAU STREET
NEW YORK

Broadmoor. Oct 2/23.

Dear Mr. Garrison -

Thank you for your letter of Sept 29. There is but one point, - of policy, - when I have felt a shade of difference with you and Far. It is no disorder to the two men on the F. R. Board that they do "not master our collections" in a few weeks or months; when we have some of us spent 8 years, and the real old timers 18 or 20 years on it!

Why not have that plainly stated to the ch^dg^o Com. - tell them in a frank way the policy of the system etc. others ask that some of the systems Execut^os and Pract^o men be called! What do they to fear? Let 'em

Leave the facts from those who know!
"Tell the truth & shame the devil" - 'nothing
butures nothing' gains. "A soft answer
turneth away wrath." "Sce et tu am."

I really think the Com. is entitled to
hear the Exhibit and will cry with rage
if no one appears. You ~~will~~ ^{far} could
win the battle for us!

So much in reply to rows of the
29th. Success to your efforts, but spare
the knee!

Yours

B.S.

FIFTEEN MASSAU STREET
NEW YORK

Broadway. Oct 14/23.

Dear Mr. Garrison -

I have been over through the program for next month's conference, - twice, - and there are really no topics upon which you cannot speak, in my behalf, - or Mr. Jay at the joint meetings, - with the possible exception of the Gibbons letter. I.E. On that I wrote Mr. Garrison quite fully at his request & sent the letter to the office for Mr. Jay & Mr. Bass to read. You might attach a copy to your own in my folder.

As a proper caution regarding my voice means refraining from active discussion, I shall rely on you and him, to do that for me - and can sit next to you at the meetings. I shall stop off at Chicago to see Dr. D. & ask him to provide as was suggested some time ago.

You can understand my impatience to get back,
and I'm glad that all the docs agree. But they all
warn me to go slow, especially about using
my voice, and no telephoning for sometime.

I hope you continue to behave. Don't take
risks with that knee!
My best to you all.

Always & affectionately yours
Sincerely

Pete! Brooks

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Federal Reserve Bank of St. Louis

[From Harrison Collection]
[Jan 14, 1920]



The Links
36 East 62nd Street

Sunday

Dear Mr. Harrison -

The more I ponder upon the letter to Horace Griswold re Farm Loan Coupons, the less inclined I am to send that one. You influenced partly by the fact that Mr. Tays' Salaries, as well as the two law debt cases, are pending. I don't want to irritate or muddy.

the water just now.

My suggestion is to and the
draft to meet Palau Beach,
or Redraft it so as to be
sure no invitation lurks
between the lines. without
the other considerations, it
be better drafted.

Sorry to be such a bother.

Yours.

B.S.

See correspondence in
General file re

liability of F.R. Bp in
event of payment of
bonds and Coupons of
Federal Land Banks
contrary to instructions

T.S. to Gor. Crissinger

1/14/24

[From Harrison
Collection]

OFFICE CORRESPONDENCE

Feb. 16, 1924.
DATE 192

To

Mr. Harrison

SUBJECT:

FROM

Governor Strong

The attached figures of gold imports and exports disclose that our gold holdings are increasing despite the best efforts of this bank to put gold into circulation. I hope in connection with your program that you will be able to overcome this tendency not only for its effect upon the reserve position and to conform to our policy in that respect, but also because it will effect us a large saving in printing cost.

BS.MN

att.

GOLD IMPORTS TO AND EXPORTS FROM THE UNITED STATES

AND GOLD RESERVES OF FEDERAL RESERVE SYSTEM

(In thousands
of Dollars.)

	<u>Gold Imports</u>	<u>Exports</u>	<u>Excess of Imports</u>	<u>Total Gold Reserves F.R. System (End. of Mo.)</u>	<u>Increase in Reserves</u>
1921 Dec. 28				2,869,600	
1922 January	26,571	863	25,708	2,911,528	41,928
February	28,739	1,732	27,007	2,951,434	39,906
March	33,488	963	32,525	2,975,355	23,921
April	12,244	1,579	10,665	2,994,776	19,421
May	8,994	3,407	5,587	3,007,621	12,845
June	12,977	1,601	11,376	3,020,868	13,247
July	42,987	644	42,343	3,071,424	50,556
August	19,092	956	18,136	3,063,414	8,010
September	24,464	1,399	23,065	3,076,943	13,529
October	20,866	17,592	3,274	3,078,049	1,106
November	18,308	3,431	14,877	3,072,858	5,191
December	26,440	2,710	23,730	3,049,451	23,407
Total	275,170	36,877	238,293		179,851
1923 January	32,820	8,472	24,348	3,075,810	26,359
February	8,383	1,399	6,984	3,072,813	2,997
March	15,951	10,392	5,559	3,069,495	3,318
April	9,188	655	8,533	3,080,579	11,084
May	46,156	824	45,332	3,108,762	28,183
June	19,434	548	18,886	3,087,703	21,059
July	27,929	523	27,406	3,109,666	21,963
August	32,856	2,201	30,655	3,120,989	11,323
September	27,804	863	26,941	3,115,830	5,159
October	29,795	1,307	28,488	3,111,078	4,752
November	39,757	747	39,010	3,112,436	1,358
December	32,641	712	31,929	3,083,886	28,550
Total	322,714	28,643	294,071		34,435
1924 January	45,170	176	44,994	3,142,717	58,831
Grand Total	643,054	65,696	577,358		273,117

February 15, 1924

CURRENCY AND COIN SHIPMENTS TO MEMBER BANKS

MONTH OF NOVEMBER 1923

<u>CURRENCY</u>	<u>NUMBER</u>	<u>AMOUNT</u>	<u>COST</u>
Outgoing			
Registered Mail	4,592	\$27,296,100	\$5,168.47
Express	8	116,500	92.38
Total	4,600	\$27,412,600	\$5,280.85
Incoming			
Registered Mail	3,454	\$43,946,200	\$6,701.17
Express	1,139	3,043,700	2,383.82
Total	4,593	\$46,989,900	\$9,084.99
Combined Total	9,193	\$74,402,500	\$14,365.84
Daily Average	354	2,862,000	(year) 175,000.00

COIN

Outgoing

Registered Mail	55	\$ 89,651	\$ 30.30
Express	<u>2,659</u>	<u>778,790</u>	<u>1,862.89</u>
Total	2,714	868,441	\$1,893.19
	<u>=====</u>	<u>=====</u>	<u>=====</u>

Incoming

Registered Mail	1	(.92
Express	<u>1,167</u>	<u>(522,390</u>	<u>976.70</u>
Total	1,168	522,390	\$979.62
	<u>=====</u>	<u>=====</u>	<u>=====</u>
Combined Total	3,882	\$1,390,631	\$2,872.61
Daily Average	150	53,500 (year)	35,000.00

Scrip 2

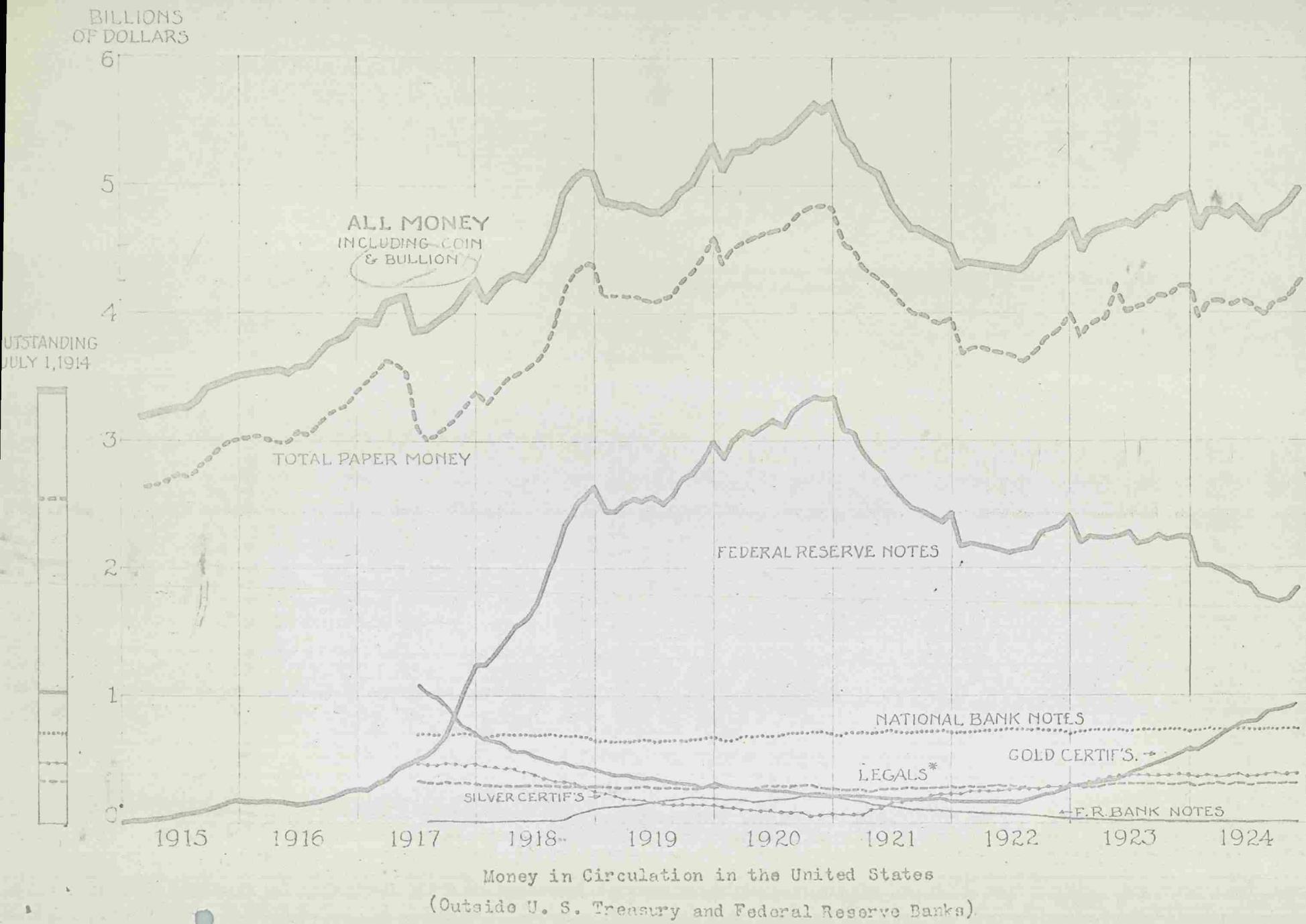
Deposits of gold coin, gold certificates,
(Act March 14, 1900, c. 31, s. 6, as amended, Act. May 26, 1906,
c. 2550, Act March 4, 1907, c. 3913, s. 1, Act March 2, 1911,
c. 190, and Act June 12, 1916, c. 142)

The Secretary of the Treasury is hereby authorized and directed to receive deposits of gold coin with the Treasurer, or any assistant treasurer of the United States in sums of not less than twenty dollars, and to issue gold certificates therefor in denominations of not less than ten dollars, and the coin so deposited shall be retained in the Treasury and held for the payment of such certificates on demand, and used for no other purpose. Such certificates shall be receivable for customs, taxes, and all public dues, and when so received may be reissued, and when held by any national banking association may be counted as a part of its lawful reserve; Provided, That whenever so long as the gold coin and bullion held in the reserve fund in the Treasury for the redemption of United States notes and Treasury notes shall fall and remain below one hundred million dollars the authority to issue certificates as herein provided shall be suspended; And provided further, That whenever and so long as the aggregate amount of United States notes and silver certificates in the general fund of the Treasury shall exceed sixty million dollars the Secretary of the Treasury may, in his discretion, suspend the issue of the certificates herein provided for; And provided further, That of the amount of such outstanding certificates one-fourth at least shall be in denominations of fifty dollars or less; And provided further, That the Secretary of the Treasury may, in his discretion, issue such certificates in denominations of ten thousand dollars, payable to order; And provided further, That the Secretary of the Treasury may, in his discretion, receive, with the assistant treasurer in New York and the assistant treasurer in San Francisco, deposits of foreign gold coin at their bullion value in amounts of not less than one thousand dollars.

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in value and issue gold certificates therefor of the description herein authorized;

And provided further, that the Secretary of the Treasury may, in his discretion, receive, with the Treasurer or any Assistant Treasurer of the United States, imports of gold bullion bearing the stamp of the coinage mints of the United States, at the assay office in New York, certifying their weight, fineness, and value, in amounts of not less than \$1,000 in value, and issue gold certificates therefor of the description herein authorized. But the amount of gold bullion and foreign coin so held shall not at any time exceed two-thirds of the total amount of gold certificates at such time outstanding. And section fifty-one hundred and ninety-three of the revised statutes of the United States is hereby repealed. (31 Stat. 17, 34 Stat. 202, 34 Stat. 1289, 36 Stat. 964, 39 Stat. 225.)



Winnipeg

G. L. Garrison

TYPES OF PAPER CURRENCY ISSUED IN VARIOUS COUNTRIES

England

- (1) Bank of England notes
- (2) Currency Notes, issued for the British Treasury by Bank of England acting solely as agent.

France

Bank of France notes.

Sweden

Riksbank notes. (N. B. Riksbank is state-owned)

Norway

Bank of Norway notes. Small State notes replacing silver coins.

Denmark

Notes issued by National Bank.

Netherlands

- (1) Notes issued by the Netherlands Bank.
- (2) Currency notes (silver bonds) in denominations of 2 fl., 50 cents, and 1 fl., issued during war to supply lack of subsidiary coins. In process of withdrawal as coins are again put into circulation.

Germany

- (1) Reichsbank notes
- (2) Notes issued by Banks of Baden, Bavaria, Saxony and Wurtemberg.
- (3) Reichskassenscheine or Treasury Notes, issued as an emergency measure in 1874, increased in 1913 from 120 to 240 million marks. Issue never large.
- (4) Darlehnskassenscheine, issued by Land Banks during the War, to provide credit for persons not possessed of collateral acceptable to commercial banks. Withdrawn in 1924.
- (5) Rentenbank notes

Italy

- (1) Notes issued by Banks of Italy, Sicily and Naples.
- (2) Notes issued directly by the Government.

Switzerland

Notes issued by Swiss National Bank.

Belgium

Notes issued by National Bank.

Spain

Notes issued by Bank of Spain.

Austria

Notes issued by Austrian National Bank.

Japan

- (1) Notes issued by Bank of Japan
- (2) Old Government issue in process of gradual redemption through Bank of Japan.

Canada

- (1) Notes issued by Chartered banks.
- (2) Dominion Notes, issued directly by the Government, and largely held by the banks as part of their assets.

Australia

Until 1920, paper currency was issued by the Treasury, but in that year note issue was turned over to the Commonwealth Bank, which established a separate Issue Department. The Bank itself is owned by the Government.

Foreign Information Section
Reports Department.
October 7, 1924.

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MINIMUM DENOMINATIONS OF PAPER CURRENCY AND PAR VALUE IN DOLLARS

<u>England</u>	<u>Denominations</u>	<u>Par Value in \$</u>
	Banknotes	\$24.33
	5	
	Currency notes	2.43
	10 s.	
<u>France</u>		
	5 francs	.965
<u>Sweden</u>		
	1 krona	.268
<u>Norway</u>		
	Banknotes	1.34
	State notes 1 and	
	2 kroner, issued	
	to replace silver	
	coins. (Small volume	
	outstanding.)	
<u>Denmark</u>		
	1 krone	.268
<u>Netherlands</u>		
	Banknotes	4.02
	10 florin	
	Currency notes	.201
	50 cents	
<u>Germany</u>		
	Reichsbank notes	2.382
	10 marks	
	Reichskassenscheine	1.191
	5 marks	
	Darlehnkassenscheine	.2382
	1 mark	
<u>Italy</u>		
	Banknotes prewar	9.65
	Reduced during war	4.825
	State notes	.965
	" silver notes	.193
<u>Switzerland</u>		
	5 francs	.193
<u>Belgium</u>		
	1 franc	.193
<u>Spain</u>	Prewar	4.825
	25 pesetas	
	No data available as to whether any reduction was made during	
	the war.	

	<u>Denominations</u>	<u>Par Value in \$'s</u>
<u>Japan</u>		
	1 yen	.4985
<u>Canada</u>		
	Dominion notes 25 cents	
	Banknotes \$5	

Foreign Information Section
Reports Department
October 10, 1924

b d

February 14, 1924.

TO MR. WINSTON:

We have been advised by Miss O'Reilly that the Mint Service can immediately enter upon a \$20 gold coinage program to produce \$22,000,000 monthly, to continue for six months, without in any way interfering with the silver dollar coinage program and without necessitating any overtime or any additional appropriations. We believe that it is important that the Mints should immediately commence minting gold in accordance with this estimate. The net increase of gold coin at the end of six months will be some \$132,000,000, an amount somewhat less than your Currency Committee will later report to be necessary or advisable in accordance with the general program that it has agreed upon. We are making this preliminary report merely because we believe there should be no delay in inaugurating the minting program. Our final report cannot properly be prepared for a week or ten days. If, however, you care to discuss any of the features of it on which this present recommendation is based, we shall of course be glad to do so.

C O P Y

TREASURY DEPARTMENT

The United States Assay Office at New York.

New York, N. Y.

Close of Business November 19, 1923

<u>Denominations</u>	<u>Circulated</u>	<u>New</u>	<u>Total</u>
10,000s	360,760,000.		360,760,000
5,000s	67,180,000.		67,180,000
1,000s	6,880,000.		6,880,000
500s	929,000.		929,000
100s	120,000.	3,200,000	3,320,000
50s	65,000.	2,000,000	2,065,000
20s	29,000.	5,040,000	5,069,000
10s		5,000,000	5,000,000
Odd notes	<u>7,820</u>		<u>7,820</u>
	435,970,820	15,240,000	451,210,820

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1700 130

Gold Coin

	<u>Circulated</u>
2 1/2	45,000.
5s	2,990,000.
10s	2,215,000.
20s	<u>33,495,000.</u>
Total	38,745,000.

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Years Reserve Jan 31

Gold Gfs (000) on hand

10	11,800
20	5,920
50	3,200
100	46,660
500	5,000
1000	22,700
	95,500
	319,000

Gold ord arbf

1000 \$700,500,000. (actual)

MEMBERS OF THE CONFERENCE ON CURRENCY SUPPLY

AT THE TREASURY DEPARTMENT

1. Currency Distribution Policy for Federal Reserve Banks February 12, 1924. of April 26, 1923.

2. Circulation Statement.

(1) July 1, 1923

(2) July 1, 1924

From the Department:

Mr. Broughton July 1, 1924

Mr. Collins

Mr. Davis Statement by Denominations.

Mr. Hand

Miss O'Reilly

Mr. Pearce

From the Federal Reserve Board:

4. Complaints in One-dollar Notes at Federal Reserve Banks.
Mr. Eddy July 30, 1923.

From Federal Reserve Banks:

5. The Largest Holders of National Bank Notes.
Mr. Bickford, of Cleveland

6. Same Emerson, of Dallas

Mr. Harrison, of New York

Mr. Netterstrom, of Chicago

Recorder:

Mr. Neumann

EXHIBITS.

1. Currency Distribution and Payment Policy for Federal Reserve Banks -- Confidential Memorandum of April 26, 1922.
2. Circulation Statement.
 - (1) July 1, 1922
 - (2) January 1, 1923
 - (3) July 1, 1923
 - (4) January 1, 1924
3. Paper Currency Outstanding by Denominations.
 - (1) June 30, 1922.
 - (2) December 31, 1922.
 - (3) June 30, 1923.
 - (4) December 31, 1923.
4. Transactions in One Dollar Notes at Federal Reserve Banks.
 - (1) July 1, 1922--June 30, 1923.
 - (2) July 1, 1923--December 31, 1923.
5. The Monetary System of the United States.
6. Description of Paper Currency Issues.

CONFIDENTIAL

For officials of Treasury Department, Federal Reserve Board, and Federal Reserve Banks.

CURRENCY DISTRIBUTION AND PAYMENT POLICY FOR
FEDERAL RESERVE BANKS

The committee on currency supply and distribution, with membership representing the Treasury and the Federal Reserve Board, at a meeting in the office of the Commissioner of the Public Debt, in March, 1922, with representation from Federal Reserve Banks present in accordance with a minute adopted by the conference of Governors of the Federal Reserve Banks held in Washington in October, 1921, adopted three specific recommendations. The Secretary of the Treasury and the Federal Reserve Board have considered these recommendations and, after a further conference with the committee and after further study of the whole currency situation, have agreed upon the following program which it is believed will further the effective, sound, and economical distribution of currency through the Federal Reserve Banks. In order, however, that the execution of the program will attain its maximum good, it is necessary that each Federal Reserve Bank agree to adopt and uniformly carry out the procedure or policies outlined herein. They are:

I. STANDARDS OF FITNESS OF CURRENCY

Paper currency tendered for redemption in order to be classed as fit for further circulation must be fairly clean so that its class, denomination and genuineness can be determined without difficulty, and must contain a sufficient amount of "life" or "sizing" to permit its being handled with facility. It should not contain heavy creases which break the fibre of the paper and indicate that disintegration has begun. A fit note when held by one end in one hand and pressed into a slightly concave shape lengthwise should sustain itself substantially on a line with the hand. It should not present a limp or rag-like appearance. If a note has retained a fair amount of the original strength or "sizing", it is fit unless it is so badly soiled as to be offensive, or is torn, perforated or otherwise mutilated. More creasing or

wrinkling that has not broken nor seriously weakened the note does not make it unfit. So-called "dog ears" or bent corners do not render notes unfit.

(a) The standard of fitness defined above shall apply to all forms and denominations of circulating currency.

(b) Test examinations of each kind and each denomination of paper currency presented for redemption by each Federal Reserve Bank will be made under the general supervision of the Treasury and Federal Reserve Board Currency Committee, and the results of such examinations will be reported at the end of each month to the Federal Reserve Board for the information and guidance of Federal Reserve Banks.

III. METHODS OF DISTRIBUTION

In order that the standards of fitness in the circulation outstanding in the several Federal Reserve Districts shall be as nearly uniform as possible, and in order that there may be a uniform policy in all districts as to the different kinds of currency to be put into circulation, new currency should be distributed through the Federal Reserve Banks and not direct from the Treasury except for purely local needs.

III. ORDER OF PAYMENT OF DIFFERENT KINDS OF CURRENCY

Federal Reserve Banks, in making payments of currency, should distribute currency in the following order of preference:

- (a) 5's and over*
 - (1) National Bank notes.
 - (2) Federal Reserve Bank notes.
 - (3) Silver Certificates.
 - (4) U. S. Notes (legal tenders).
 - (5) Federal Reserve notes.
 - (6) Gold certificates.

*NOTE.- Since the maximum denomination of national bank notes, Silver certificates and legal tenders is \$1,000, payments in denominations higher than that amount must be made in Federal Reserve notes and Gold certificates, in the order named.

(b) 1's and 2's

- (1) Federal Reserve Bank notes.
- (2) Silver Certificates.
- (3) U. S. Notes (Legal Tenders).

IV. NATIONAL BANK NOTES

While it is believed that national bank circulation ultimately will be eliminated entirely, it is felt that this may be accomplished only through Congressional action and not otherwise.

Meanwhile, Federal Reserve Banks should not discriminate against the national bank currency, whether fit or unfit, either in respect to its receipt for deposit or in respect to its shipment to the Treasury for redemption. The standard of fitness prescribed in paragraph I must apply equally to national bank currency and all other forms of currency.

V. SILVER CERTIFICATES

It has been estimated that the normal requirements for the \$1 and \$2 denominations of currency approximate \$400,000,000. It is believed that so far as it is legally possible United States currency of these denominations should consist of silver certificates, any excess of demand over supply being filled by the issue of United States notes (legal tenders) rather than any other form of currency.

VI. UNITED STATES NOTES (Legal Tenders)

It is believed that this form of currency may be eliminated at some appropriate time in the future but that until eliminated it should be the policy of the Treasury to confine the printing and circulation of United States notes to the denominations of \$1, \$2, \$5, and \$10, with preference for the \$1 and \$2 denominations, as may be required.

VII. FEDERAL RESERVE BANK NOTES

In view of the fact that the present program of the Treasury contemplates a

retirement, within the near future, of all Pittman Act certificates against which Federal Reserve Bank notes are issued, all Federal Reserve Banks should pay out any such bank notes on hand in order to use them up and have them permanently retired during the period when the Treasury is paying off the certificates.

Neither the Federal Reserve Banks nor the Federal Reserve Board should place any more orders for the printing of Federal Reserve Bank notes.

VIII. PRINTING PROGRAM (Federal Reserve Notes)

(a) Standing Agreement.- Each Federal Reserve Bank should advise the Federal Reserve Board of the amounts of Federal Reserve notes in each denomination that it desires to have in its reserve stock of unissued notes, specifying how much of each denomination is to be held in Washington. Orders for printing of Federal Reserve notes should be automatic, so that any deficiency in the agreed Washington stock of any denomination should be tantamount to an order to print sufficient amounts to bring that stock up to the agreed minimum.

(b) Manufacturing Program for 1922.- In order, however, to facilitate the manufacturing program of the Bureau of Engraving and Printing, each Federal Reserve Bank should, before June 1, 1922, estimate and advise the Federal Reserve Board of the amounts of each denomination of Federal Reserve notes that it will requisition from Washington during the remainder of the calendar year. With such estimates at hand, the Federal Reserve Board will place orders to have printed for each bank each month the proper proportion of the amounts of each denomination which the bank estimates it will withdraw from the Washington reserve stock during the balance of the year. If at any time during the remainder of the year, a Federal Reserve Bank finds it necessary to increase or

decrease its estimates it should so advise the Board by telegram on the last business day of any month, stating the amount of each denomination which it expects to withdraw from the Washington reserve stock during the remaining months of the year. The Board will then adjust printing orders accordingly. Although this program may result in a temporary increase in the reserve stock of some of the banks over and above the fixed minimum figure, it will accomplish an orderly operation of the printing process for the balance of the year, and will leave each Federal Reserve Bank with its agreed minimum reserve stock of notes at the end of the calendar year. (This plan supersedes the Federal Reserve Board's letter X-3381 of April 11, 1922.)

II. DISTRIBUTION OF UNITED STATES CURRENCY BY TREASURY DEPARTMENT

United States Currency.-- Each Federal Reserve Bank will advise the Federal Reserve Board (for head office and each branch separately) of the amounts of \$1 and \$2 bills estimated to be sufficient for one month's reserve supply and will now place orders with the Board (for head office and each branch separately) to create cash reserves of these amounts. Hereafter, each bank will telegraph to the Federal Reserve Board on the last business day of each month the amount of each denomination of \$1 and \$2 notes (United States currency) estimated as sufficient to maintain reserve stocks at the head office and branches at the fixed figures. Monthly orders to the Federal Reserve Board for United States currency from the Treasury must be confined solely to the \$1 and \$2 denominations, and must not include requisitions for higher denominations, but if at any time the Treasury finds it necessary under the law to issue United States notes or other kinds of United States currency in denominations above \$1 and \$2, such notes

will be apportioned among the twelve Federal Reserve Banks, which will accept them and pay them out as contemplated in paragraph III.

W. S. BROUGHTON,
Chairman;

WALTER L. EDDY,
W. E. BUELL,
C. S. PRANCE,
Currency Committee.

April 26, 1922.

APPROVED:

A. W. MELLON,
Secretary of the Treasury.

APPROVED:

FEDERAL RESERVE BOARD,
W. P. G. Harding,
Governor.

PROPOSALS FOR COINING GOLD AND PRINTING GOLD CERTIFICATES.

On January 30, 1924, the total deposit and note liabilities of the Federal Reserve system aggregated \$4,013,599,000. The total gold reserve of the system as of the same date amounted to \$3,142,717,000. This represents a gold reserve of 78.5% against the aggregate note and deposit liability of all twelve Federal Reserve Banks. The Federal Reserve Board statement as of January 30 indicated that the total reserves against the combined liabilities were 81.3%, but this figure took into consideration the "lawful money" reserve as well as gold. From the point of view of the public, these reported reserves of the system give an inaccurate impression of the payable gold reserves of the system, since the greater bulk of the gold held by the Federal Reserve Banks, including the Federal Reserve agents, is in gold bullion. In fact, on January 31, 1924, the total payable gold held by the Federal Reserve Banks and agents amounted to \$632,604,000. Of this amount, \$204,727,000 consisted of gold coin and the balance, \$427,877,000, consisted of gold certificates. The two together, comprising the entire hand to hand supply of gold, represent only 15.8% of \$4,013,599,000 of deposit and note liabilities of the several Federal Reserve Banks. While one of the individual banks has a reserve of gold coin and certificates equal to about 25% of its total note and deposit liabilities, many of the others have less than 5%, and two of them, less than 2%.

In view of these facts, and in view of the nature of the obligations of the Federal Reserve Banks which hold the reserve deposits of the commercial banks of the country, it appeared to the Committee to be vitally important to consider some plan whereby the reserve stock of payable gold in each Federal Reserve Bank might be increased to some percentage approximating a more conservative recognition of the nature of the liabilities of a reserve institution. Various figures were considered, but it was finally concluded that while the final choice must be more or less arbitrary, it would be both satisfactory and practicable to establish a reserve of gold coin and certificates in the reserve banks equal to about 20% of the total note and deposit liabilities of the system as a whole. Of this 20%, it was concluded that about 1/3 should consist of coin and 2/3 of certificates.

The following table prepared upon the basis of the figures already referred to above, will portray graphically the present position of the Federal Reserve Banks in this regard, and will indicate the amount of coin and certificates to be minted or printed on the basis of the proposal of the committee.

(Based on Jan 30, 1924 figures)

LIABILITIES OF THE FEDERAL RESERVE BANKS, JANUARY 30, 1924	
FR. Notes	liabilities \$2,022,514,000
FR. Deposits	1,991,085,000
Total FR. & deposit liabilities	\$4,013,599,000

Minted

REPAYABLE GOLD HOLDINGS OF THE RESERVE BANKS

ON JANUARY 31, 1924

Gold held by F. R. B.
 Gold Coin Jan 31, 1924
 Gold Certificates \$204,727,000
 427,677,000

Proposed by Com.

Total payable gold holdings *payable* \$ 632,604,000

Present percentage of total gold

to liabilities *15.8%*

With a deficit

PROPOSED BY THE COMMITTEE.

Note and deposit liabilities *of F. R. B.* \$ 1,233,699,000

<i>20%</i> <i>reserve</i>	=	802,720,000
of which <i>2/3</i> should be in certificates	=	535,147,000
<i>and</i> which <i>1/3</i> should be in coin	=	267,573,000
Proposed increase in coin <i>per</i> <i>face of holding</i>	=	62,846,000
" " " certificates" " "	=	107,270,000

X
X

To provide this increase in both coin and certificates, it would be necessary to coin not only the \$62,846,000 estimated to be necessary to build up the requisite supply in the Federal Reserve Banks, but it would also be necessary to coin the \$36,333,000 essential under the law as a basis for the issue of \$107,270,000 additional certificates. In other words, to supply the Federal Reserve Banks with the proposed amount of coin and certificates, it would be necessary to coin \$99,179,000, of which approximately \$65,000,000 would go to the reserve banks and \$36,000,000 to the Treasury. On January 30, 1924, the total gold coin held by the Treasury was \$39,416,000. The total amount of gold certificates outstanding was \$999,707,000. Under the present requirements of the law, the amount of gold coin was on that date approximately only \$6,000,000 in excess of the amount required as a basis for certificates. This amount is so insignificant that it was not considered in determining the amount of additional gold coin necessary as a base for the additional certificates recommended by the committee to be supplied to the Federal Reserve Banks. If the recommendations of the committee outlined above are carried out, the gold statement of the Treasury would be changed as follows:

	<i>Jan 30, 1924</i>	<i>Proposed</i>
Gold coin	339,416,000	374,747,000
Gold Certificates outstanding	999,707,000	1,106,977,000

Unrevised

thufr

The gold coin would be increased from \$339,416,000 to \$375,749,000, and the certificates would be increased from \$998,797,000 to \$1,106,977,000. If, however, as the committee recommends, the gold coin holdings of the Treasury itself should not be less than \$500,000,000, it would be necessary to coin an additional \$125,000,000 to meet the present deficit. This, together with the amount already recommended to provide the Federal Reserve Banks with the proposed amount of coin and certificates, would involve a gold coinage program of approximately \$225,000,000. The committee has been advised that it will be possible for the Mint Service immediately to enter upon a \$20 gold coinage program to produce \$22,000,000 monthly to continue for six months, without in any way interfering with the silver-dollar coinage program and without necessitating any overtime or any additional appropriations. The committee has already recommended in a preliminary report that the Mints should immediately commence minting gold in accordance with this estimate. If the Mints produce the full amount of the estimate, \$132,000,000, will have been minted at the end of six months. When it is understood that the Mint Service would have to devote the better part of its efforts to the coinage of subsidiary silver, even assuming that it will not be possible to continue minting any gold for the balance of the year after the elapse of those six months, it will mean that only \$93,000,000 in gold coin will have to be minted next year in order fully to complete the program recommended by the committee. If, in obtaining the ultimate results desired, it is necessary for some of those reserve banks which now hold gold coin to redeposit that coin with the Treasury in order to permit of the printing of gold certificates, that is a matter in which Federal Reserve Banks will no doubt co-operate with a view to facilitating the ultimate accomplishment of the committee's program. So, also, if it should be deemed desirable to have some of the reserve banks which now hold relatively large supplies of gold certificates, ship some of those certificates to other Federal Reserve Banks holding a relatively small supply, that also is a matter in which Federal Reserve Banks will no doubt co-operate. It may be that in the process of completing the committee's program, other shifts between the Treasury and the reserve banks, or vice versa, may be advisable; but those are merely matters of detail incidental to the main purpose of the committee's program.

RESERVE STOCKS OF CERTIFICATES.

In addition to the printing of certificates already referred to above, the committee recommends the establishment of a reserve stock of gold certificates in the denomination of \$10, \$20, \$50, and \$100, aggregating \$1,000,000,000.

On January 31, 1924, the Treasury's reserve of gold certificates, including the amount held in the New York Assay Office, aggregated \$1,200,330,000. Of this amount, however, only \$97,614,000 were in denominations of \$100 and under. Whether or not reserve banks generally establish the policy of voluntarily paying out gold as has been done by two of the largest reserve banks, the committee believes that the reserve supply of gold certificates in the smaller denominations is wholly inadequate.

Unrevised

GOLD HOLDINGS OF FEDERAL RESERVE BANKS AND FEDERAL RESERVE AGENTS AS OF
JANUARY 31, 1924 (ACTUAL DATE)

(On Basis of Circulation Statement figures)

Gold holdings of Federal Reserve Banks:

U. S. Mint and Assay Office bars	\$ 3,429,657
U. S. gold coin	159,042,230
Foreign gold coin	17,120,441
Gold at Assay office awaiting settlement	-
Gold certificates	206,509,030
Gold Settlement Fund - Federal Reserve Board	547,236,494
Gold Redemption Fund - U. S. Treasurer	500,110,047

\$1,013,437,899

Gold Holdings of Federal Reserve Agents:

U. S. Mint and Assay Office bars	60,531,106
U. S. gold coin	45,685,000
Foreign gold coin	-
Gold certificates	221,368,000
Gold Fund -- F. R. Board	1,678,048,760
Gold redemption fund -- U. S. Treasurer	123,506,890

\$2,129,139,756

February 14, 1924.

4,000.
20
3 | 800.
266. coin
534 - 800

SHIPMENTS AND RECEIPTS OF AMERICAN CURRENCY

TO AND FROM FOREIGN COUNTRIES IN MONTH OF JANUARY 1924

SHIPMENTS

	45 to 420			Over 420		Total
	41 & 42 Bills	F.R. Notes	Other Notes	F.R. Notes	Other Notes	
Europe						
Austria	\$ 16,000	-	\$214,000	-	-	\$ 230,000
Danzig	-	-	-	-	\$ 8,000	\$ 8,000
England	16,250	\$ 97,500	97,500	\$ 56,875	56,875	325,000
Estonia	-	-	-	1,000,000	-	1,000,000
France	5,000	45,000	65,000	-	-	115,000
Germany	13,576	275,625	47,125	40,000	24,800	401,125
Holland	7,000	125,500	25,500	69,500	14,500	242,000
Latvia	5,000	-	35,000	3,000,000	-	3,040,000
Poland	1,700	-	-	61,650	61,650	125,000
Spain	1,000	-	-	-	-	1,000
Total	65,526	\$624,625	\$499,125	\$4,228,025	\$165,825	\$5,694,125
Caribbean Countries						
Cuba	40,000	-	-	-	-	40,000
Porto Rico	26,000	51,000	5,000	-	-	82,000
Santo Domingo	40,000	50,000	-	-	-	70,000
Total	106,000	81,000	5,000	-	-	192,000
Canada	5,000	-	10,000	-	-	15,000
Total Shipments	\$176,526	\$624,625	\$499,125	\$4,228,025	\$165,825	\$5,694,125

RECEIPTS

Europe		\$317,834	
Belgium	\$ 1,053		
Bulgaria	700		
Danzig	4,278		
England	61,000		
Finland	3,000		
France	696		
Germany	66,607		
Greece	48,500		
Italy	25,930		
Lithuania	490		
Portugal	26,000		
Scotland	55,900		
Sweden	42,000		
Switzerland	1,000		
Caribbean Countries		884,300	
Bermuda	71,300		
British West Indies	596,000		
Haiti	60,000		
Porto Rico	127,000		
Santo Domingo	30,000		
Asia		129,025	
China	108,078		
Palestine	21,000		
Canada		40,000	
South America		3,668	
Brazil	3,668		
Total Receipts		\$1,574,380	

Total Transactions

\$7,068,506

Shipments over Receipts

\$4,319,746

14 questionnaires sent out

10 banks had transactions

4 banks had no transactions

REPORTS DEPARTMENT
DIVISION OF TABULATIONPlanned by El Taylor
Checked by Melvyn

	1'S	2'S	5'S	10'S	20'S	50'S	100'S	TOTAL
	AMOUNT	Sheets	AMOUNT	Sheets	AMOUNT	Sheets	AMOUNT	Sheets
U.S. CURRENCY								
Replacing Redemptions	360 000 000	90 000 000	67500 000	8 437 500	120 000 000	6000 000	230 000 000	5 750 000
Restoring 60-40 Standard	72 000 000	18 000 000				145000 000	1 812 500	36 000 000
Gold Imports						110 950 000	2 773 750	142 650 000
Fed Res. Payable Gold						43 813 000	1 095 325	65 718 000
Additional Circulation	10 000 000	2 500 000						
Treasury Reserve	48 000 000	12 000 000	7500 000	937 500	13 500 000	675000 47000000	1 175 000	45000 000
Emergency Gold Reserve						105 000 000	2 625 000	135 000 000
Total Requirements	490 000 000	122 500 000	75000 000	9 375 000	133 500 000	6 675 000	536 763 000	13 419 075 533 368 000
Less Estimated Reserve 9/30	7 000 000	1 750 000	4 000 000	500 000	20 000 000	1 000 000	38 000 000	750 000
Net Requirements to June 30	483 000 000	120 750 000	71 000 000	8 875 000	113 500 000	5 675 000	498 763 000	12 469 075 453 368 000
Delivered July & August	84 560 000	21 140 000	14 080 000	1 760 000	32 720 000	1 636 000	57 960 000	1 449 000
Est Deliveries September	46 436 000	11 609 000	6 016 000	752 000	7 520 000	376 000	45 120 000	1 128 000
Total for Fiscal Year	613 996 000	153 499 000	91 096 000	11 387 000	153 740 000	7 687 000	601 843 000	15 046 075 512 968 000
National Bank Currency						6 412 100	119 700 000	598 500
Reserve for Bureau								76 700 000
Paper Custody								191 750 2,170 043 000
Appropriation								194 821 425
Decr. 7/1								15 000 000
Grand Total for Year								30 000 000
Appropriation								6 755 453
Decr. 7/1								15 793 009
GOLD CERTIFICATES								262 369 887
Replacing Redemptions								157 500 000
Gold Imports								104 864 887
Fed Res. Payable Gold								
Treasury Reserve								
Emergency Gold Reserve								
Total Requirements								
Less Estimated Reserve 9/30								
Net Requirements to June 30								
Delivered July & August								
Est Deliveries September								
Total for Fiscal Year								
SILVER CERTIFICATES								
Replacing Redemptions	360 000 000	90 000 000	40500 000	5 067 500				400 500 000
Restoring 60-40 Standard	72 000 000	18 000 000						95 062 500
Additional Circulation	10 000 000	2 500 000						72 000 000
Treasury Reserve	48 000 000	12 000 000	4 500 000	562 500				18 000 000
Total Requirements	490 000 000	122 500 000	45 000 000	5 625 000				52 500 000
Less Estimated Reserve 9/30	7 000 000	1 750 000	2 000 000	250 000	*13 000 000	650 000		12 562 500
Net Requirements to June 30	483 000 000	120 750 000	43 000 000	5 375 000				535 000 000
Delivered July & August	67 068 000	16 767 000	3 424 000	428 000	32 720 000	1 636 000		128 125 000
Est Deliveries September	39 668 000	9 917 000	3 008 000	376 000	7 520 000	376 000		9 000 000
Total for Fiscal Year	529 736 000	147 434 000	49 432 000	6 177 000	40 240 000	2 012 000		2 000 000
U.S. NOTES								
Replacing Redemptions								400 500 000
Treasury Reserve								118 750 000
Total Requirements								1 350 000
Less Estimated Reserve 9/30								132 225 000
Net Requirements to June 30								135 000 000
Delivered July & August	17 492 000	4 373 000	10 656 000	1 332 000				39 000 000
Est Deliveries September	6 768 000	1 692 000	3 008 000	376 000				1 350 000
Total for Fiscal Year	24 260 000	6 065 000	41 664 000	5 208 000	113 500 000	5 675 000	127 120 000	3 178 000
								223 500 000
								11 225 000
								58 228 000
								6 457 000
								24 816 000
								2 444 000
								306 544 000
								20 126 000

*Contemplates using up present
silver reserves and shifting reserves to
U.S. Notes

*Silver 5 reserves deducted from U.S.
requirements

Payng Teller Balance 27.526.

427.762.

Money Division 32.493.

DAILY CURRENCY ANALYSIS

(000 OMITTED)

DATE

JUL 30 1925

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ENON.	DIVISION	GOLD		SILVER		LEGALS		NAT'L AND F. R. B. NOTES		FEDERAL RESERVE NOTES		MISCELLANEOUS		TOTAL COUNTED		TOTAL UNCOUNTED FIT
		NEW	FIT	NEW	FIT	NEW	FIT	NEW	FIT	FIT	MUTILATED	NEW	FIT	NEW	FIT	
0,000	PAYING CASH CUSTODY	1000	2480							4000	1770			5000	4250	
	RECEIVING MONEY		37000								3600				40500	
	TOTAL	1000	39480							4000	5270			5000	44750	49750
5,000	PAYING CASH CUSTODY		2055							2000	1110			2000	3165	
	RECEIVING MONEY		5500							2000				5500		
	TOTAL		110							2000	1110			2000	8775	10775
1,000	PAYING CASH CUSTODY		1352							2000	2152			2000	3556	
	RECEIVING MONEY		7200							400	350			400	7950	
	TOTAL		57							600	2752			650	11813	12463
500	PAYING CASH CUSTODY	1700	1436							10	702			1700	2148	
	RECEIVING MONEY		3800							50				1700	3850	
	TOTAL	1700	5268							60				1700	6180	7880
100	PAYING CASH CUSTODY	1700	173							700				1700	182	
	RECEIVING MONEY		36405											1700		
	TOTAL	1573	36701							37	128			300	2807	47398
50	PAYING CASH CUSTODY	4150	35							37	170			300	44591	1000
	RECEIVING MONEY		12755							200	182			5900	13305	
	TOTAL	4185	13555							60				1700	6180	
20	PAYING CASH CUSTODY	5046	487							200	182			1000	20792	
	RECEIVING MONEY		67300							182				1700		
	TOTAL	5527	55545							200				1700		
10	PAYING CASH CUSTODY	3120	60							200	182			1700		
	RECEIVING MONEY		63200							182				1700		
	TOTAL	3180	4279							200				1700		
5	PAYING CASH CUSTODY		110							3885	5703			1700	1800	
	RECEIVING MONEY		975							200	1680			1700	1800	
	TOTAL	3180	69074							1605	2673			1700		
2	PAYING CASH CUSTODY		110							200	1680			1700		
	RECEIVING MONEY		975							1605	2138			1700		
	TOTAL	3180	69074							200	31468			1700		
1	PAYING CASH CUSTODY		110							200	226			1700		
	RECEIVING MONEY		975							1605	174			1700		
	TOTAL	3180	69074							200	10145			1700		
MISC.	PAYING CASH CUSTODY		110							200	6720			1700		
	RECEIVING MONEY		975							1605	18295			1700		
	TOTAL	3180	69074							200	3580			1700		
	COIN PAY.		1496							102	1023			1700		
	COIN REC.		26							102	2294			1700		
	COIN COUNTER		25							102	0944			1700		
	TOTAL	3180	69074							200	22665			1700		
	5013	4956	57							102	610			1700		
	13544	13544	310							200	610			1700		
	3371	3371	35							102	270			1700		
	17225	17225	1952							200	9826			1700		
	2365	2365	18295							102	270			1700		
	5013	5013	13544							200	3580			1700		
	17193	17193	13544							102	610			1700		
	22206	22206	22665							200	610			1700		
	2397	2397	66							102	472			1700		
	1352	1352	472							200	4526			1700		
	1126	1126	472							102	25966			1700		
	20315	20315	472							200	66			1700		
	108600	108600	472							102	472			1700		
	118426	118426	472							200	472			1700		
	1800	1800	472							102	472			1700		
	184000	184000	472							200	472			1700		
	22222	22222	472							102	472			1700		
	2719	2719	472							200	472			1700		
	60	60	472							102	472			1700		
	6013	6013	84							200	34			1700		
	17193	17193	84							102	34			1700		
	22206	22206	84							200	34			1700		
	2397	2397	84							102	34			1700		
	1352	1352	84							200	34			1700		
	1126	1126	84							102	34			1700		</td

Harrison

July 2, 1924.

My dear Harrison:

Of course, it is tough as can be that you must have another siege in the hospital. I cannot tell you how much we all regret it and sympathize with you. The news we all get of your progress is immensely encouraging, and of course that helps very much. I cannot restrain myself from repeating the warning, however, that I think heretofore you have been in too much of a hurry to leave the hospital and in too much of a hurry to get back to the bank. It is a fault of which I have been guilty myself often enough, to feel warranted in cautioning you not to do anything like it again.

Everything at the bank is fine but very quiet. We were promised a visit yesterday from Senator Heflin, who wanted to see our new building; but I did not wait around with any refreshments to meet him. In fact I went up town to hear what was going on at the Convention over the radio. Don't even know whether he came or not. It is just as well that I should not be here when he does come, for I would rather refuse to see him than start up a row if I did see him. We had a nice letter from Mr. Case who seems to be having a splendid time, especially at Oxford. As you know, he will be back the middle of this month, and Jay plans to sail on the 12th.

You need feel no uneasiness whatever on account of your absence. As you know, I had planned to be here this summer, anyway, and I find that the summer agrees with me better in New York than any other season. Also I am feeling first-rate, and over this week-end I may try my hand at a little golf.

You may have observed that Mr. Mellon has announced that he contemplates calling the 4s of 1925 and paying them off February first of next year. With his usual direct way of doing things, he just says he is going to do it, although of course the Treasury will not be pledged until the formal call is made. This is a step in the right direction. I have about made up my mind to have the next meeting of the open market committee in Chicago on the 25th of July, so as to meet with their directors. I think the whole bank will get a better understanding of what it is all about if the committee meets there and discusses the policy of operation with the directors present.

This seems to be all the news. Please make it your first business to get well and you will please us all very much, especially your friend, the writer. I am proposing on my next trip to Washington to stop off and see you.

With all sorts of good wishes,

Affectionately yours,

Mr. George L. Harrison,
Union Memorial Hospital,
Baltimore, Md.

BS.MM

July 10, 1924.

Dear Mr. Harrison;

We are all delighted at the good reports of your progress, and I am especially delighted that you seem to be free of pain and discomfort which would be so trying during the hot weather. Everything at the bank is serene and your absence need occasion you no anxiety whatever that it is causing anyone inconvenience. I have been a regular and consistent truant myself, going so far yesterday as to spend about an hour at the Convention, where I watched the animals perform with a good deal of amusement, sitting indeed with the alternates where I assumed the air and manner of a ward politician and was so successful in doing so that at least a dozen perfectly strange delegates greeted me with smiles and nods, behind which I could discern possible invitations to vote for favorite sons or daughters. But the heat drove me away, and I slipped into a friend's apartment where there is a good radio and heard the whole business very much better that way than on the floor. The landslide for Davis at the end was immense. My personal feeling about the whole affair is that McAdoo has earned the contempt of his party and the country, and I hope he gets all the pleasure from the prize that he is entitled to have. Smith I think is regarded as a good sportsman having played the game successfully. Some of his backers told me that long ago they knew he could not be nominated, but no power on earth could turn them from their determination that McAdoo should not be nominated. Then at the last minute it seems as though some dispensation of Providence visited a lot of our misguided people at the Convention and turned them to the only man on the list who could overcome the prejudices and bitternesses that have developed in the campaign.

None of my Republican friends agrees with me, but at the moment and with things as they appear to be now, I believe Davis will give Coolidge a very hard run for his money and may indeed be elected. The reasons for my feeling that way I will elaborate when I see you. But I do not hesitate to say so very strongly because there is considerable doubt in my own mind as to whether I should not vote for him. The principal reasons being:

- (1) My high regard for him.
 - (2) My contempt for the record of the Republican Party in Congress
in other respects before determining Mr. Coolidge's taking office.
 - (3) My lack of sympathy with their course as to European affairs.
 - (4) My hearty disapproval of the Republican Party's tariff policy.

I am not going to decide until I know more than any of us know now.

July 10, 1924.

The new building is coming along famously barring delays with the glaziers who are on strike and the apparently slow progress on the first floor. We are moved in wholly or partly on the 9th, 8th, 5th and 3rd floors, and further moves are taking place with fair regularity.

Jay and Mason have dealt with Curtis in regard to the notarial matter and are making progress toward a solution on a plan which we can all approve which will leave Curtis with a part of the business but eliminate the objectionable features of the present arrangement.

Our investment account is up to \$395,000,000, so we are proposing to have another meeting in Chicago on the 25th of July.

Money is easy, but we have done nothing further about our rate, although current discussion on the street seems to anticipate that we may go even lower.

Mr. Jay sails on Saturday and Mr. Case returns on Tuesday. He writes that he has had a grand holiday.

Owen Young has been suddenly summoned to London in some unofficial capacity in connection with the meeting of the Prime Ministers for the arrangement of adjustments in connection with the Dawes program. The

This seems to be the budget of news, so you may imagine that things are quiet. My own plans for the summer are indefinite. We have another wedding in the family in September, and after that I may get away for a while. Meantime, should a trip to Washington be necessary I will arrange to stop off and have a visit with you. Be good - don't get restless - and beyond everything stay in the hospital as long as the doctors tell you to - and even longer. I am so afraid of your being foolish in your urgency to get back to the office.

With my very best to you, and much affection,

Faithfully yours,

Mr. George L. Harrison,
Union Memorial Hospital,
Baltimore, Md.

BS.MW

Harrison, G. L.

July 22, 1924.

Dear Mr. Harrison:

Mr. Rounds and I are planning to be in Washington the early part of next week to work out a program for Mr. James' committee on efficiency, economy and salaries. There are quite a number of other matters that will come up to keep me there probably for about three days. I am rather planning to stop off either going over or returning, to have a visit with you, if it is all right for me to do so. On receipt of this letter, could you drop me a line or telegraph me advising just how long you expect to be in the hospital, and whether it would be convenient for me to stop off Sunday afternoon, or whether you would prefer to have me do so on my return from Washington. Probably it will be more convenient for me to make it Sunday afternoon.

Mr. Case is back looking fit as can be, although he had a touch of tonsillitis on the way home on the boat that made him rather miserable for a few days and kept him home until yesterday. It is all cleared up now. There is not much doing in the bank just now - things are very quiet, and you need feel no uneasiness about being away. I shall make the necessary arrangements about your absence so as to conform to the usual red tape, but it has all been explained in Washington and they thoroughly understand and sympathize with your mishap.

We now have about 1000 people at work in the new building, and it looks fine. The program for the final moving, including the valuables, has been worked out to the last detail and will be approved at our meeting this week.

I am asking Mr. Gilbart to send you some papers on the subject of direct sendings, which I think will relieve your mind of any uneasiness which was caused by my comments on that new development in handling checks.

This is about all the news. Let me know if you want any reading matter and what sort you enjoy and I will see that you are kept well supplied.

With best regards, and looking forward to seeing you, I am,

Yours sincerely,

Mr. George L. Harrison,
Union Memorial Hospital,
Baltimore, Md.

BS.MM

Harrison

July 24, 1924.

Dear Mr. Harrison:

Just a line to advise you that I have your letter this morning and have decided to take the train leaving New York by Standard Time at 10:10 Sunday morning, due in Baltimore at 2:20 Standard Time, and if quite convenient to you will go direct to the hospital for a little visit, and then take a later train to Washington that afternoon. Probably if I take either the 4:16 or 5:25 train, it will not involve my being with you so long as to tire you out. It might be as well for you to wire me if this is all right, as I can change the train.

Yours sincerely,

Mr. George L. Harrison,
Union Memorial Hospital
Baltimore, Md.

BS.MW

July 29, 1924.

Dear Mr. Harrison:

I was delighted to see you so well and shall take most encouraging word back to the office about your progress.

You and Miss Stewart both having agreed that a little work would be helpful, I have found a job that will just suit you. The new Assistant Secretary of the Treasury in charge of the fiscal bureaus, Mr. G. S. Dewey, wishes to have a talk with you about the currency and coin program. The whole matter has been turned over to him and he is going to take a real wallop at it. I have told him that you will be delighted to see him and that when I return to New York I will get out the files relating to all those matters, send them over to you so that you can refresh your memory about the subject, and then he can slip over to Baltimore and spend a couple of hours with you discussing ways and means of getting a comprehensive program under way to cover both currency and coin. If the doctor or nurse vetoes this, please telegraph me at New York, as I am returning this afternoon. I will also send you some books when I get back home.

Good luck to you,

Sincerely yours,

Mr. George L. Harrison,
Union Memorial Hospital,
Baltimore, Md.

August 8, 1924.

Dear Mr. Harrison:

You may be interested in reading the enclosed letter from Mr. Jay. Please destroy it after reading. You saw that our rate went down yesterday with a bang. It will be helpful to everyone concerned with the exception, of course, of banks which have money that they cannot use. If there is any kick about the rate, it will certainly be coming from some of the chronic ones of that category.

Confidentially, I have some rather gloomy cable reports from the other side about the progress of the negotiations over the Dawes plan, but the press dispatches to-day are much more encouraging.

There is little here in the way of news. But I would like to have your advice about one matter. It is most confidential. The last time I was in Washington, Mr. Rounds and I were told quite in confidence that information had reached the Federal Reserve Board that there is a very considerable development of nepotism in one of the Reserve Banks. Of course, they did not refer to us. I was asked whether it would be feasible to put on the program for the next Governors' Conference a lot of topics relating specifically to those matters of ethics which unfortunately are not always as clearly understood as they might be. I answered that so far as our bank was concerned we would be delighted to have all those subjects discussed, but that we would not think of suggesting those topics for the program; that the Board must take that responsibility. I was then asked to prepare some simple topics which I have done and Mr. Mason is now looking them over. They relate specifically to such matters as the appointment of relatives of officers or directors to positions in the bank, their employment as brokers or otherwise outside of the bank, whether any one associated with the bank or related to its officers or directors gets orders for supplies or has any other like transactions with the bank, etc. etc. What do you think about it? I can well understand that some of the men at the meeting and possibly the directors of some of the Reserve banks would resent what they would regard as an inquisitorial attitude by the Reserve Board. On the other hand, there have been hints of other matters of this sort which should in fact be dealt with. I would like your general opinion about it.

The only other matter of any interest that I can think of has to do with par collections. Mr. Angell came in yesterday to advise us that steps had been taken by arrangement between a little State bank in Mississippi and Mr. Claiborne to lay the foundation for another suit, the aim being to force the Reserve Banks to give immediate credit for items payable within its own district. I shall not burden you with a description of the technical details, but it seems that Mr. Angell has had a couple of meetings with the Federal Reserve Board in the matter, and the Board seems to be taking a pretty active direction of the litigation, having gone so far, I understand, as to make some suggestions to the Atlanta Reserve Bank as to Mr. Randolph's relation with the litigation. There isn't anything we can do about the matter because as I understand it Mr. Angell's call and advice to us

August 8, 1924.

was simply a matter of courtesy and not by request of the Federal Reserve Board. Mr. Angell thought that the actual trial of the issue could be postponed until sometime in December, by which time Mr. Davis' fate will be known, and he still might be able to represent us. I hope he can, although you need not yet interpret this as being any desire on my part that he be not elected.

Please take good care of yourself and don't take any chances by doing foolish things. I hope you will convey my kindest regards to Mr. and Mrs. Glover. All the boys join in sending you good wishes.

Sincerely,

Mr. George L. Harrison
c/o Mr. C. C. Glover, Jr.
Nonquit, Mass.

BS.HM
enc.

August 12, 1924.

Dear Harrison:

Here is a matter on which I would like to have your judgment. It can be expressed in a word in pencil on the back of this letter if you don't feel like more than a very limited correspondence.

Very confidentially: When I was last in Washington, Mr. James told me that a director in one of the Reserve Banks had recently informed him that in that bank there were no less than thirty-five employees who were in some way related to the officers or directors of the bank, many of them sitting around doing nothing. Mr. James intimated that the information had come to him in such a way that he could not use it. Personally, I am inclined to believe that it is an exaggeration anyway. But it did raise the question of the care with which this and other ethical points are regarded by the management of the different Reserve Banks, and I think Mr. James himself proposed that something be put on the program for the next Governors Conference which would bring out this whole subject in open discussion.

I said that I could easily prepare a memorandum of topics which would accomplish that, but would not care to suggest them myself for the program. It would be bound to raise hard feeling, and, in fact, I am not certain whether it is a wise thing to have such a discussion at a Governors Conference. But, in order to form a preliminary estimate of what would be involved, I have prepared a list of queries which has been reviewed by Mason and one or two other officers, and the result of it all is enclosed with this letter.

My last thought is that the safest procedure would be for the Federal Reserve Board to take this matter up with the individual Reserve Banks, either by direct communication with the directors, or through the regular examinations.

How does it strike you?

There is practically no news to send you from the bank, and, in a personal way I have nothing particularly pleasant to send, because my mother has just had a rather dangerous attack of pneumonia, but is now out of danger, and Phil came home from the south last Saturday with a mild case of diphtheria and is in quarantine at the apartment. The doctor thought best for me not to be there while he was in quarantine, so I am at the Plaza Hotel.

I hope you continue to improve. Please don't let any foolishness interfere with the process, and, beyond all things, don't be fussing about the bank with ambitious ideas of returning before the doctor wants you to do so! You will find something of this sort in every letter that I write you.

With much affection,

Sincerely yours,

George L. Harrison, Esq.,
c/o Mr. C. C. Glover, Jr.,
Nonquitt, Mass.

BS.MSB
Enc.

[Frm Harrison Collection]
(August 9, 1924) [Fifth letter
to Harrison
from Slattery
Aug 12/1924]

Memorandum

Suggestions for Submission by the Federal Reserve Board
to the Governors Conference.

In connection with the following topics, a request should be made when the program is sent out in advance of the meeting for each Governor to come to the meeting with all details fully prepared on the following topics, so that he may be able to answer any questions as to the practice of the bank.

- (1) Does the bank have any policy in regard to the employment of relatives of the officers or directors of the bank?
- (2) Does the bank have any rule on this subject?
- (3) Does the bank have any rule or policy on the subject of the employment of persons having any other kind of relation to the officers or directors?
- (4) Are there any persons employed by the bank connected with the officers or directors by kinship or by any other sort of close association?
- (5) If so, what positions do these persons occupy, what salaries do they draw, and what are their relations to the officers or directors?

Note: A good principle to be adopted by the management of the banks would be that those occupying positions of greater responsibility than that of clerical workers should not in general be kin of the officers or directors and should not have such relations of any other kind with officers or directors as would make the bank fairly liable to a charge of favoritism.

- (6) Who are the brokers appointed by the bank to act for it in buying or selling securities for its own account and for member banks in any case where orders are executed on behalf of member banks?
- (7) By whose authority was the selection and appointment of the brokers effected?
- (8) Does the bank have any policy or rule in regard to the selection and appointment of such brokers?

(9) Are the brokers kin of officers or directors of the bank or associated with them or related to them in any manner? *What is this relationship if any? which would fairly give rise to a charge of favoritism in their selection of the bank?*

(10) Do the brokers submit regular financial statements of their condition?

(11) Do the brokers carry speculative or margin accounts?

(12) Is the financial responsibility and general reputation of the firm such as practically to insure against financial loss or association of the reserve bank in the possible failure of the brokers?

Note: A good rule to be adopted by the management of the banks is that these brokers should not sustain any relationship of any kind to officers or directors, unless there are circumstances justifying the selection of these brokers independently of the fact of such relationship.

(13) Has the bank any rule or policy in regard to the selection of other brokers, that is, brokers for insurance or real estate or what not?

Note: The same questions and principles apply to these brokers as to those just mentioned above.

Federal Reserve Banks as Fiscal Agents of the United States.

(14) Does the bank make purchases from or sales to the Treasury or any other branch of the Government of securities in which the bank itself is interested financially without knowledge of the Treasury?

(15) Does it in cases where the Treasury is informed of the facts get an acknowledgment from the Treasury in writing of the receipt of such information?

(16) Does the bank, when in receipt of orders from the Treasury or other branch of the Government for the purchase or sale of securities of the Government of the United States refrain from buying or selling any of those securities for its own account until completion of the order of the Treasury?

(17) Does the bank have any policy or rule in regard to the selection of counsel?

Note: A good rule to be adopted by the management of the banks in this matter is that kin of officers or directors or those having other associations with them should not be designated as counsel, unless there are circumstances independent of the fact of such relationship justifying designation as counsel.

(18) Are any officers, directors or employees in any way, shape or manner connected with any concern with which the bank does business either in the purchase of its supplies, etc., or in the conduct of any of its transactions, upon which commissions are paid, so that any officer or director or employee of the bank in any way profits from the business?

Note: It is at times very difficult to escape situations where indirectly such profits would arise. For instance, in connection with the erection of bank buildings, it sometimes happens that directors are stockholders or in some way connected with the concerns who get contracts for some part of the construction work or material for the new building. In every instance such connection should be disclosed to the directors of the bank and the individual having the connection should refrain from taking any part in the bank's action in awarding contracts, etc.

N^o

August 19, 1924.

My dear Mr. Harrison:

Yours of the 17th has just come. I am glad to say that both my Mother and Phil are about well again. Of course, Mother will be weak for a long time, but all danger from her illness is happily past.

About the questions of ethics concerning which we were corresponding. A copy of a letter which I have written to Mr. James will be sent to you in a day or two. I am not willing to be responsible for putting anything on the program, and personally would not encourage the Board to do so. I have decided, therefore, to put the whole matter in the shape of a report of the situation in this bank. If the Board wishes to take the responsibility of discussing these matters at a meeting of all of the Governors, they must do so themselves. It would be much better to take it up with the different banks individually.

I am delighted to hear of your fine progress, and especially pleased that you have determined to take it easy and not come back too soon. That is the wisest thing to do.

Phil's illness and some other matters have made it very difficult for me to get away and I have not gone to Woods Hole because it was inadvisable that Mother should have any visitors at all which might have a tendency to excite her. So I am afraid my plan is not a feasible one. Please remember me most kindly to the Grovers. I shall hope to see them in Washington even if I cannot at Nonquitt.

There is really no news here of any consequence. Things are quieter than I have ever seen them in the bank.

We all send you much affection.

Yours sincerely,

Mr. George L. Harrison
c/o Mr. C. C. Glover, Jr.
Nonquitt, Mass.

BS.MM

August 25, 1924.

Dear Mr. Harrison:

Enclosed is a printed copy of the bill in equity filed by the Pascagoula National Bank. The status of the matter is as follows:

The Board is filing affidavits, after consulting with Mr. Beck, by which they hope to be dismissed as party to the suit on jurisdictional grounds, Mr. Beck having advised that it would be a serious mistake for them to volunteer to appear in this or any other like proceeding, and that he doubted whether the suit could be brought against them, anyway, as they are a Government body. They should not appear as volunteers in the Courts all over the country whenever litigation is attempted.

*Yellowey
M 1924*
Notwithstanding that Mr. Lemann advised the Board that he was counsel for the Whitney-Central National Bank, and might therefore be disqualified from representing the System in this litigation, a telegram was sent him urging that that would be no obstacle and still asking him to accept a retainer. He replied that he would be in New York to-morrow (Tuesday) and would be prepared to discuss it. I have pointed out to the Board that there were clearly strong objections to retaining him. In the first place, before he could agree to represent us he would have to know something about the case, and after we had disclosed the seriousness of the case he would undoubtedly feel required to consult with his client, The Whitney-Central National Bank. The result would be a complete disclosure of our position to the plaintiff. This, I said, was too serious for us to contemplate. I feel that this bank is the principal bank to the litigation and we would pay the largest share of the bills, and in case the suit was lost we never would be able to explain how it happened that Mr. Lemann had been retained.

Tomorrow Governor Grissinger and the members of the law committee, Messrs. Hamlin and Platt, will be here at the bank to meet Mr. Lemann. I expect Mr. Angell and possibly Mr. Wyatt will be present and we will have a frank discussion. I have some feeling of uneasiness in regard to what will be said.

Now I think you will agree with me that the serious elements in this case have to do with sections 13 and 16 as to what we can and cannot collect, and how the collection shall be handled. This is an effort toward literal enforcement of the provisions of section 16 requiring all Federal reserve banks to receive on deposit at par, etc. If they can establish that this requires us to buy the checks, take ownership of them, and make immediate payment for them, our par collection system must go overboard or

we must inflict the country with a tremendous inflation. Then if they succeed in getting a temporary injunction the consequences would be most serious, and of course we cannot forecast whether the temporary injunction would apply only to the Atlanta bank or whether it might be so broad in its terms as to require compliance by all the Reserve banks.

My general feeling is that the trial court must be made aware of the seriousness of this issue and convinced that the Federal Reserve Act contemplates no such absurd procedure as of buying the float. In general, I am inclined to see if we cannot get some man like Persons who has made a great study of the inflation and of bank figures, and have a non-legal development of the subject worked up for use by the lawyers. If such an argument cannot be directly brought into the case, it might be brought in by the Solicitor-General in case he could be persuaded to appear in the interest of the country as a whole, and it even might be possible to interest the Merchants Association, or better still, the Association of Credit Men. But the main thing is to get some vigorous able counsel who will take command, where we will not risk the possibilities of inadequate preparation because of the very deliberate procedure by such a body as the Federal Reserve Board.

I believe the return day when an answer must be filed is September 2, and the prayer for an injunction must be argued on October 2. That is the best that Wyatt can figure out. The situation discourages me a little bit because here we are without counsel and really with but little time for preparation of a subject which is so complicated and abstruse that the best lawyer in the world should take weeks and even months in preparation. I am only hoping that we can have the case put over.

Sincerely,

Mr. George L. Harrison
c/o Admiral Gary T. Grayson
Easthampton, L. I.

BS. MM
enc.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

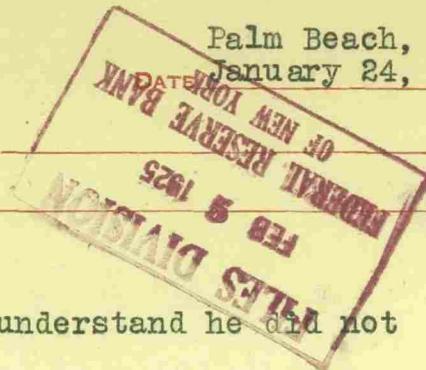
To Mr. Harrison

FROM Miss Bleecker

SUBJECT:

Palm Beach, Fla.
January 24, 1925

192



Here is a friend of yours. I understand he did not see anyone. It leads me to suggest that under the present scheme, where there is much corridor space and few folks visible, we have not yet satisfactorily solved the problem of having some responsible person who is available during meetings, etc., to talk with folks like this. It's a purely personal view, and I pass this on only because you know the "man" and the "need".

Fancy he has left Washington, but guess it will be forwarded.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

To Mr. Case
From Benj. Strong

SUBJECT: _____
FILE NUMBER: _____
DATE: January 25, 1925

I gather from the word I got from the office that when Congressman Wingo recently called no one saw him. Can you let me know just what happened.

Mr. Harrison -

I was a little too forehanded yesterday. Here is the official request for the same thing; and your letter contains another. If you will be good enough to have the copies sent you yesterday taken out of the files and this one substituted, I shall appreciate it. Thank you. And I am sorry.

MS

[From Harrison Collection]

FEDERAL RESERVE BANK
OF NEW YORK

Palm Beach, Fla.,
January 25, 1925.

Dear Harrison:

I have just finished reading your letter of January 21, and Judge Sibley's opinion in the case of the Capital Grain and Feed Company against the Federal Reserve Bank of Atlanta. As you say, the opinion reads exactly as we would have it, and I am wondering now whether this case, after presumably going before a jury for decision as to the facts, will ever reach the Supreme Court and give Judge Brandeis a chance to reconsider what he has said on the subject of paying one check by using another check, and so on indefinitely. As I recall, what he wrote was not a judicial decision at all, but merely an expression of judicial opinion, and, if the Supreme Court should sustain Judge Sibley on the law in this case, would it not, in fact, mean that all of those statutes in the Southern States which were designed to prevent our collecting at the counter would be unconstitutional? And, in the light of this decision, coupled with the decision in the other Atlanta case, would we not really be obligated, in the case of doubtful banks, to actually make collection by presentation at the counter? If this is the case, is not the Atlanta bank taking a very serious responsibility in holding any check sent to it by another Federal Reserve Bank in the usual course pending the receipt of telegraphic instructions?

I can understand the difficulty they face -- the alternative being, really, a non-par list, which might seem to affect the credit of some of their own member banks.

This whole collection business, it seems to me, involves responsibilities far beyond what most of the officers of the Federal Reserve Banks, and even the Members of the Federal Reserve Board, begin to apprehend. Some day, of course, we are going to get hit badly. What is the way out? Would there be any ground for asking Congress to give us some legislation which would develop some better uniformity, as well as some better understanding of the liabilities? I am not enough of a lawyer to know whether this would be an encroachment upon the powers of the States or not?

Under the circumstances I have some doubt of the wisdom of the course you propose. If the Atlanta circular is wrong, even though it has been approved by the Federal Reserve Board, we should at least protect ourselves to the extent of giving notice to Atlanta and to the Board that we will not be bound by it. It occurs to me that this is a good subject upon which to get an expression of opinion from the Standing Committee on Collections.

In regard to the Stone Mountain coins, after we discussed it the other day, it occurred to me that inasmuch as they are United States coins, are legal tender just as any other 50cent piece is, and count with us as a part of our subsidiary coin, that we might have gone a little far in our first position with Wellborn and McCord. And if it has been fixed up to their satisfaction, I am rather relieved. The only question then would be whether the plan for paying out the coins was one which we could approve and conduct. Your statement as to illegality is convincing to me on that point, but, nevertheless, I am glad you found a way to accommodate them.

My friend Swinny, of Kansas City, who is a member of the Federal Advisory Council, has the room next to me, and we had quite a talk the other afternoon about the McFadden Bill. He is well along in years, and very conservative, but I gathered that in general he agreed with the four points which we had raised, namely,

- The objectionable features of the Hull Amendment
- The lack of protection as to real estate loans
- The need for a rewriting of Section 5200
- The need for some protection under the Statute of savings deposits.

and finally

As to the latter, he holds the view that national banks should not receive them. I do not agree with him there, because they are, in many country places, the only facilities of that kind open to poor people in the community.

We are just winding up a three day storm, - one of the worst I have ever seen, - which has put the railroads out of business, and, I fear, has flooded the golf course where we play. But by tomorrow we hope to start again.

So far I have had a very quiet time, barring a few dinner parties, and you would be surprised to know that every morning has been spent loafing, with the exception of a little office work, and every afternoon before dinner I have had a nap, sometimes over an hour. So you can report me as behaving myself in case you see Dr. Miller.

I am very cross with you about one thing, however, and that is your failure to let me hear a word about your throat. Have you seen Dr. Miller; and what does he say? I was on the point of telegraphing you about it, but your letter came last night and it was long enough to convince me that at least your voice is all right. Please don't neglect it. I didn't neglect mine, because I saw no less than four throat specialists before it was discovered what was the matter. The trouble was that I didn't see the right ones! And Miller and Coakley are the ones to look at it.

I have just written Mr. Case about the call which Congressman Wingo made at the Bank. The last word I had in Washington was that he had displayed a rather friendly attitude toward our affairs recently, and, if no one saw him, there must be something wrong about having officers on tap when such callers come. Would you mind bringing this up at the Council meeting and see if the officers, as well as the boys outside, are properly instructed. //|

Sincerely yours,

Geo. L. Harrison

George L. Harrison, Esq.,
Deputy Governor, Federal Reserve Bank of New York,
Federal Reserve P. O. Station, New York, N. Y.

TELEGRAM

COMMERCIAL WIRE—INCOMING

ATTENTION _____

TRANSLATION COPY

DECODED _____
CHECKED _____
COMPANY _____

40WU MQ 20 COLLECT PALMBEACH FLO 1028A FEB 10

GEORGE L HARRISON

ESQ, DEPUTY GOVR

GREATLY DISAPPOINTED YOU HAVE NOT CONSULTED MILLER
ABOUT THROAT PLEASE DO NOT FAIL TO DO SO AND TELEGRAPH
ME

BENJ STRONG

1116A

From Harrison Collection

OMS, 2 25M 5-25

FEDERAL RESERVE BANK
OF NEW YORK

INTEROFFICE
ROUTE SLIP

SERVICE DIVISION
MESSENGER SECTION

A. M. _____
P. M. _____

DATE 1/21/25

TO Mr. Garrison

DEPARTMENT
DIVISION
SECTION

REMARKS I spoke to you about this
this a.m. It has been amended
as you suggested

FROM msb

DEPARTMENT
DIVISION
SECTION

N. B. USE THIS FORM INSTEAD OF OFFICE ENVELOPE WHEN POSSIBLE.
TO INSURE PROMPT AND ACCURATE DELIVERY ALL COMMUNICATIONS SHOULD BE DISTINCTLY LABELED

FEDERAL RESERVE BANK
OF NEW YORK

[From Harrison Collection]

OFFICE CORRESPONDENCE

DATE June 20, 1925 192To Mr. Harrison

SUBJECT: _____

From Benj. Strong

I have suggested to Miss Bleecker that if it should ever become necessary to make any disposition of my private files, I would like to have you and my son Benj. Strong Jr., go over them with her to decide which are purely Federal Reserve System matters but of an entirely personal nature, which might well be retained in the bank under appropriate confidential cover; which might be worth while saving in the family, and which might as well be destroyed. I hope to get a lot of this done some time after my return from abroad, but would like to feel that there is some understanding if the need should arise.

July 6, 1925.

Federal Reserve Bank,
New York.

No. 76 CONFIDENTIAL FOR DEPUTY GOVERNOR

Leave for Berlin Wednesday. Afterwards plan
holiday with Norman at Spa Belgium. All well.

Strong

No. -

7/7/25

Repeat above (# -) to Board

Strong

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 10, 1925 192To Mr. Harrison

SUBJECT: _____

From W. A. Scott

We have today received two telegrams from the Argentine Embassy, requesting us to release \$1,200,000. and \$75,000. of their gold deposit with us and transfer \$1,200,000 to Louis Dreyfus & Company, New York, and \$75,000. to National Bank of Commerce, New York. This leaves a balance of \$450,000 in their gold account.

*W. A. Scott*W. A. Scott

(Copy to Mr. Sailer)

709

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

Dear Mr. Harrison:

Yours of July 31 is just received, having been delayed by our travels.

It is very good of you to await some word from me before sending the letter to the Board about its letter X-4377.

In general my views are that this is a rather small thing upon which to lay emphasis. But, on the other hand, that we should not accept this order of the Board without a protest. The Board's attitude in this and other similar matters impresses me, first, as exhibiting a desire to exercise authority, rather than to get at results, and, second, to do so by applying rules to all twelve of the Reserve Banks as the result of some trifling evidence of lack of good judgment on the part of possibly only one bank. Where difficulties are caused in this way, the Board should deal with the individual bank, and not assume to exercise authority in this general way.

What I do think must be done, - and done vigorously at the appropriate time - is to protest to the Board against the various evidences which we have from time to time of suspicions of our motives, our good faith, our good judgment, etc. etc. In other words, I would prefer to see an issue raised with the Board on some important and fundamental matter like that, rather than on some less important matter like this one. These suspicions which are harbored by some of the Members of the Board are really the fundamental cause of almost all of the difficulties which arise. The Board should be brought to the view (although I am not hopeful of the possibility of it) of regarding the organization as one whole, instead of regarding the Reserve Banks as being on one side, and the Board on the other; the Board administering discipline, exercising authority, and dispensing rebukes and admonitions which cause irritation and hard feelings.

My suggestion would be that we prepare for use at the appropriate time a complete list of all matters of that sort which have arisen in the course of the last few years. And if at some time really formidable action is warranted, that it be taken by the directors of our bank, or, possibly, by a committee of the directors of a number of the Reserve Banks. It will be far ^{more} preferable to have it done by directors than by officers.

I will reply separately about Merla after I have had a chance to go over Burgess's memorandum.

Sincerely yours,

George L. Harrison, Esq.,
Deputy Governor, Federal Reserve Bank,
33 Liberty Street, New York.

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

Dear Mr. Harrison:

Yours of August 6 just reaches me. I shall not answer it at length, but the following comments are justified:

1. I think the reduction in the size of the bills will cause more complaint and irritation than will be justified by the amount to be saved.

2. Any effort to push two dollar bills into circulation is, again, going against the current of public feeling, as was the case with silver dollars, and I doubt if the results will justify the effort.

3. All of the arrangements you refer to for saving expense in the mechanical handling of the currency and of paid Government obligations seem to me to be fully justified, and, if the law permits, we should do it.

About Schacht: I doubt very much if he asks for any more gold shipments, and havewritten a brief explanation of what he is after in a letter to Mr. Case. Elaborating a bit, it developed when we were in Berlin that Schacht's reserve, - three-quarters being in gold and one-quarter being in foreign bank balances - had constantly increased since the reorganization of the Reichsbank, and the proportions had been almost exactly maintained at three to one. The fluctuations caused by demands for foreign payments took place entirely in the foreign balances which he does not show; in other words in invested funds held abroad. Norman and I both felt that it was a mistake for him to carry so inflexible a reserve; that he should accustom people to the idea that it would fluctuate. So, even at some expense to the Bank, he proposes to convert some of his invested balances into gold, and, at times, to reverse that process and even to let his disclosed reserve run down by investing portions of it and putting it in the undisclosed accounts. But I did not gather that he had any intention of actually having gold shipped to Germany from America or elsewhere. Much of this is explained by the statement which I have sent you.

I will be writing you at greater length when I get to London, but there is not much to report from here.

Sincerely yours,

G. L. Harrison, Esq.,
Deputy Governor,
Federal Reserve Bank of New York,
33 Liberty Street, New York.

Spa, Belgium,
July 21, 1925.

Dear Mr. Harrison:

I was delighted to have your fine letter of July 10, with enclosures, which I have just read with great interest. It gives a bully picture of what has been going on. You will, I know, understand my not answering it in detail. None of the matters you deal with requires any comment from me, and I am just now sending a deluge of letters, all of which I hope you will read. And from them you will get about all that I would have to write about anyway.

We all keep well, except that Governor Norman is really worn out, and yesterday I was a little troubled about him. I think possibly it's the reaction from a long strain. He seems disinclined to take any exercise, but I am going to make him take a good walk this afternoon and try to send him to bed thoroughly tired out to see what that does.

Please give my best to all at the bank, and include yourself generously.

Very sincerely yours,

George L. Harrison, Esq.,
Deputy Governor, Federal Reserve Bank,
33 Liberty Street, New York.

Hotel Majestic,
Paris, France,
August 20, 1925.

Dear Mr. Harrison:

You have doubtless been thinking about the next Governors Conference.

I shall sail on the Olympic on September 9, and suggest that we endeavor to arrange for the conference this year about the middle of October. That will give me a month after returning home and time to go over a program with you and make my own suggestions so that they may reach the other Governors for preliminary study.

I am a little sorry now and then to get evidences that matters are held up during my absence, which it seems to me might be disposed of. One was the discussion with the Comptroller about the cost of examination reports. Don't you think Governor Harding could fix that up while I am away? You will recall he is a member of the Committee with me. Another matter, almost too trifling to mention, I noticed in the minutes. It was the decision to await my return before informing the tenants in our building whether they should use 33 Liberty Street, or Federal Reserve Bank Building, as an address on their letterheads. Surely I am not needed to decide a matter like that. I can tell you now, however, that I think it should be 33 Liberty Street.

Tonight Dr. Stewart and I are going to Bale to meet the officers of the Suisse National Bank. We return right away. And then I will spend another week in Paris, reaching London on the 28, where I expect to find the Vice President of the Bank Polski, and probably the President, to meet me. We are also arranging to have Dr. Vissering come to London. And it may be that Dr. Schacht will come also for a last talk before I go home. I don't want to delay sailing beyond the Olympic, and this will give me a very busy two weeks in London, but I think we can make it.

We have enjoyed the trip greatly; have learned a lot; and keep very well. But I must say the vacation part of it was too short to suit me.

My best to all of you at the office.

Sincerely,

G. L. Harrison, Esq.,
Deputy Governor, Federal Reserve Bank,
33 Liberty Street, New York.

7610

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

Dear Mr. Harrison:

While I think of it, I want to advise you of something which I saw in the Bank of France, which may prove of interest to us.

They have constructed a large series of vaults for coin and bullion which impressed me as being a great improvement over our bullion vaults. The rooms are somewhat larger than our rooms, and each room is lined throughout with heavy metal shelving and light doors with wire fronts, so that the contents of these compartments or shelves are exposed to view. The gold bars are stacked in individual piles on these shelves, with passages in between the stacks so that the number of bars can be counted and the contents of each vault audited and checked without even opening the doors. In front of each pile of bars they have cards on which are given the numbers of the various bars, by whom the bars are made, and the particulars of weight and fineness.

The whole thing struck me as a very efficient and satisfactory method of stacking gold bars to avoid constant rehandling.

It seems to me that if we have room in our vault for some such system we could not only carry a very large amount of gold in each compartment, but we could do it in such a way as to avoid a great deal of labor.

Of course the shelving must be very heavy, and therefore the equipment may be very expensive.

Sincerely yours,

George L. Harrison, Esq.,
Deputy Governor, Federal Reserve Bank of New York,
33 Liberty Street, New York.

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

Dear Mr. Harrison:

I have just finished reading yours of the fourteenth and the enclosures with a sinking heart. It does seem a hopeless job!

Unfortunately Dr. Stewart left just before the mail arrived, or I would have had opportunity to post him about the situation respecting the weekly statement. I cannot understand, after our discussions with Crissinger, and after reaching an agreement with Crissinger, Stewart and Smead, as well as after cabling our assent, to which Norman had agreed, why there should be any fuss about it.

As to the salary matter, I am simply dumbfounded. Possibly I should repeat in this letter, for the benefit of our directors, what you and the other officers, and probably the directors, have heard me say repeatedly.

This is a year of reorganization and adjustment in the bank, when salary policy cannot be developed until we know the outcome of our building. I shall be unable to tell until the end of the year just what is feasible in the way of salary adjustments. It has been my hope and expectation to make salary adjustments in connection with a plan by which the entire staff of the bank can be given a good lunch every day. All of these questions of salary adjustments, therefore, have been dealt with, so far as I am aware, rather tentatively. This was all explained to the Federal Reserve Board verbally and by letter. Even Mr. James has stated to me that he was quite content to let our situation develop throughout this year, and have a permanent policy adopted after a year's experience.

As to the specific salaries involved, the Board entirely overlooks the fact that we have hundreds of people in the bank handling cash; that the tellers who make heavy payments to the banks, while they have always been under paid, have been changed quite frequently lately and the new and younger men who have been promoted to these positions have had their salaries gradually increased. But the Board does not realize that the changes of defalcation in a large teller's cage are really less than those which arise where cash is handled in smaller quantities in the bank. The audit control is closer, and the opportunity is therefore less. If the principles which the Board seems to apply to the "tellers", simply because they are called tellers, should be generally applied throughout the bank, I suppose it would be necessary to increase salaries by possibly \$200,000 a year.

The fact is that our whole salary scale in certain of the departments is, and has been, too low for a long time. This is partly due to the deliberate delay in effecting readjustments because of our building, is partly due to the insistence of the Federal Reserve Board that they will not tolerate further salary increases, and is partly due to an attitude by the Federal Reserve Board which has been so hostile to the New York Bank, its management, and its organization,

Paris, France
8.25.25

Mr. Harrison

(2)

that we are all naturally reluctant to face these recurrent disputes.

This episode leads me to believe that the time has now arrived for us to carry out the program mentioned in my last letter which related to the approval of the Board of the employment of experts for special investigations. I think we must make a search of our memories and our records in order to produce a list and digest of all cases of this sort which have arisen, and then, instead of having the officers deal with it, have a committee of our directors, - possibly with similar committees from other Reserve Banks - go to Washington and take the matter up with Mr. Mellon and with the Board.

You may say to our directors that my visit abroad has convinced me that we have ahead of us a period of very great responsibility, where we can perform a useful service in facilitating monetary readjustment over here, or where we can devote our time to these ridiculous little squabbles which simply annoy and distract us from more important things, and leave the Federal Reserve System a rather impotent, bureaucratic affair with nothing accomplished.

Now, as to the latter, I don't feel disposed to be a party to it. I would rather have the row once and for all, and either definitely get away from these annoyances or else quit attempting to accomplish anything. It won't do to take the matter up in the usual way. We have got to go right to Mr. Mellon and insist upon something being done. I would be very glad to talk to the President about it, but it might even be better to have some of our directors do so.

I have been in a state of mind recently to welcome this investigation by Congress, and to notify Mr. Mellon that among other things we will bring up the constitution of the Board and its general inefficiency. Of course I hate to add to Mr. Mellon's burden just now, for he has some very difficult things on hand, but we have a conference coming on in October and that might be the appropriate opportunity for doing something while the other Governors are in Washington. At any rate, you might be talking it over pending my return.

Sincerely yours,

George L. Harrison, Esq.,
Deputy Governor, Federal Reserve Bank,
33 Liberty Street, New York.

(2)

FEDERAL RESERVE BANK
OF NEW YORK

European trip 1925
RECEIVED
SEP 14 1925
G. L. H.

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

Dear Mr. Harrison:

It seems a shame, after all the study you put into the preparation of the schedule accompanying your letter of July 28, that I have been unable to answer it before, but it has been very difficult to get time for the consideration it needs.

As to your letter: First, I have a pretty good general idea of the practices of other central bank in open market operations, which Dr. Stewart will be able to supplement. But it is not a phase of the subject that we would care to develop very fully. Much of our information is fairly confidential, and the inquiry would be so advertized that we would be likely to get into hot water with our friends abroad if we attempted an exposition of their policies. So the conclusion you and Jay arrived at is satisfactory.

Second, as to the gold policy. Generally I do think that a considered, written report and recommendations is the best way to approach the matter. Why don't you start Crane to work on it.

Third, I agree, as indicated in your letter of July 24, that argumentative matter should not yet be attempted. What we need first is the information taken from our files and from records and reference books. Later, when the material is arranged, it may be desirable to rearrange it with a view to apportioning it among different people who might be expected to appear before the commission.

And now as to the topics themselves:

A. Reserve Requirements of Member Banks: While it will probably best go under some other heading, probably "Competition with Member Banks", I think it would be desirable to prepare something to show how the earnings of member banks were affected by the passage of the Federal Reserve Act, and how they may have been affected by our actual operations. Case's letter to Mitchell is a good illustration, and, of course, the enormous savings in the reduced reserve requirements is the principal item.

Then, under A, I think something should be brought out to show the enormous growth in the proportion of time deposits to demand deposits, and the consequent lowering of gross reserves to gross deposit liabilities because of the requirement of 3% only.

B. Federal Reserve Note Issues: Cannot figures be prepared to answer the chronicle article, showing that no change in the currency would take place if we paid out a billion dollars gold, and retired that amount of Federal Reserve Notes, or, even more strikingly, if we actually liquidated the Federal Reserve Banks and wound them up.

Also, as Willis is quite likely to turn up at any hearings, might

it not be a good plan to get out all of his articles in the Journal of Commerce and show what an inconsistent medly of misstatements and incorrect information they contain. I just notice one in which it refers to the London acceptance as being principally drawn to finance British export trade. That is exactly what they are not drawn to finance. Almost all of the bills representing foreign trade in London are drawn to finance imports of goods into England.

D. Recharter: Snyder's article in the weekly report to the directors on the First and Second Banks of the United States is excellent, but could be recast so as to be more applicable to the present controversy.

Willis has reiterated over and over again that we should buy bills. The point should be made that if the Bank of England, or the Reichsbank, or any other of them undertook resumption of gold payment, and relied upon our willingness from time to time to buy bills maturing in 90 days, with no understanding as to how long the account would run, they would be basing their policy, and a very important one, practically on call money; literally delivering themselves into the hands of the managers of a foreign bank who might at any time again force a suspension in case the credit was used. Sensible men don't do such things.

B. Open Market Operations: In dealing with open market operations, we should throw light upon the curious difference between the discount rates of the banks of issue of Europe and of the Federal Reserve Banks. How our discount rate is really the Lombard rate, and our bill rate is really the equivalent of the discount rates abroad.

Under B. 4, the question of the effectiveness of our rate brought into play by open market operations should be very carefully studied and prepared. In this connection, I think we should be careful not to attribute too much to open market transactions and not sufficient to the influence of gold movements.

Something should be done to explain the development of the gold exchange standard, and the danger of involuntary inflation as the result.

Under the heading "Open Market Operations" and in connection with the McFadden Bills, the attempt may be made to curtail our powers. Our attitude should be to seek an enlargement of our powers. Our member banks can get credit at any time, and renew it almost indefinitely if they are entitled to the renewal. We would be asking no more for foreign correspondents if we requested the power to make loans on eligible paper, as distinguished from discounting it. I, personally, would advocate the power which all foreign central banks have, to extend credit in some form upon the security of short-time obligations of foreign governments; limit it principally to Lombard loans to the banks of issue. Possibly the statute should be cleared up so as to make it perfectly clear that we can lend gold, as well as buy and sell it.

C. Competition with Members: Under C. 2, I take the point of view that the granting of powers to Reserve Banks to perform services for member banks may not mean that we can require member banks to use those services, but the implication is that we cannot, as a matter of policy, deprive them of the enjoyment of those facilities if the Act gives us the right to extend them.

Paris, France

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

Mr. Harrison

(3)

F. Free Services: I wish we could get some figures from some of the big banks as to what was their per item cost for making various types of collections, and contrast them with our costs. We should show that the payment for shipments of currency to us by members was almost an essential basis for our par collection system, and that the absorption of the costs on outgoing currency was the result of the transfer of the sub-treasury functions; hence we got stuck both ways. We should especially emphasize the value of this service to the public generally.

A. Cost of Operating Federal Reserve System: The emphasis should be laid upon the need for protection of the member banks and the public against loss, etc. This would apply especially to the buildings.

I have not attempted to arrange these few suggestions in their suitable places in the memorandum, as probably it is being worked over and rearranged anyway.

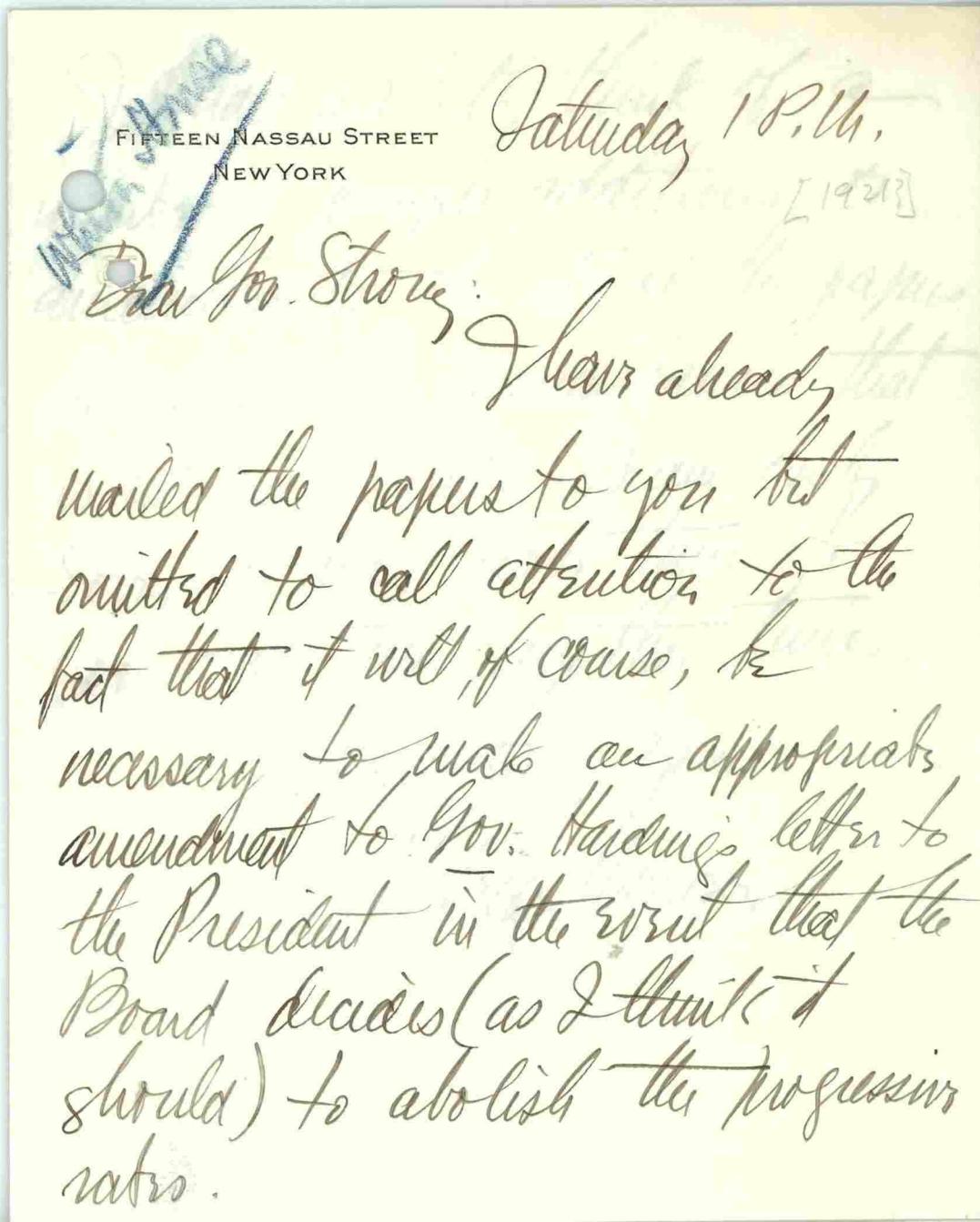
It strikes me as being very complete. Further suggestions are more likely to develop as the data is being studied, and that is one of the first things I want to get at on my return.

If you consider that the suggestions are rather meagre, please also consider that the memorandum of topics is wonderfully complete, and leaves little for addition except argument.

Very sincerely yours,



George L. Harrison, Esq.,
Deputy Governor, Federal Reserve Bank of New York,
33 Liberty Street, New York.



I shall probably think of a
number of proper additions or
amendments to all of the paper
but under the circumstances that
is not unusual. I am only
sorry I didn't have time to
go over them another time.

Very truly yours,
W. H. Garrison.

TR-27-5000-2-20

AFTER 6 DAY, RE^{CEIVED}
FEDERAL RESERVE BANK OF NEW YORK
15 NASSAU STREET
NEW YORK CITY

GOVERNOR STRONG

Papers re:

White House Conference.

May 25, 1921

GOVERNOR STRONG

PERSONAL & CONFIDENTIAL

Special Delivery Mail



Special Delivery Mail

NOT IN ROOM

Mr. Benjamin Strong,

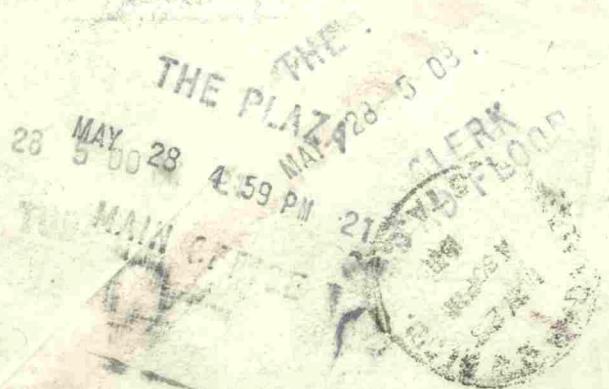
58 Hotel Plaza,

58 Fifth Ave at 59th St.,

New York City.

*RE CLAIMED BY OFFICE
OF FIRST ADDRESS*

FIFTEEN NASSAU STREET
NEW YORK



1118 0-99 9934

FIFTEEN NASSAU STREET
NEW YORK



1118 1199 9934

FEDERAL RESERVE BANK
OF NEW YORK

May 28, 1921.

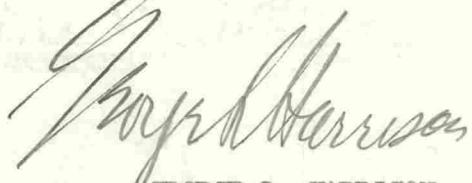
My dear Mr. Jay:

I am enclosing herewith as we agreed last night, a copy of my memorandum of procedure and proposed telegram to be forwarded by the Federal Reserve Board to all Federal Reserve Banks and a draft of letter from Governor Harding to the President.

Inasmuch as I have made the memorandum of procedure so detailed and inasmuch as the time available is so limited, I have not attempted to prepare the form of statement to be issued by the President upon the conclusion of all these preliminaries. I have felt that my time this morning was much better spent on the papers that I have enclosed. The form of statement to be issued by the President is one which will form very easily and naturally after these other matters have been disposed of and I feel that the best that I can do in the short time this morning is to outline what the procedure statement should contain.

I shall, however, work on the form of statement over the week end and will have something ready Tuesday in Washington for either you or Mr. Strong, whichever it is that goes to Washington. I hope there is no hitch in the program to get these papers to you. Mr. Rink of the Service Department will take one set by rail and the other I am mailing to you as you requested at your Crescent Beach address.

Very truly yours,



GEORGE L. HARRISON,
Deputy Governor.

Pierre Jay, Esq.,
Crescent Beach, Connecticut.

FEDERAL RESERVE BANK
OF NEW YORK

May 28, 1921.

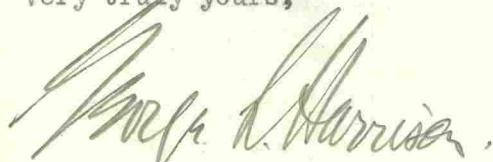
Dear Governor Strong:

I am enclosing herewith a form of memorandum of procedure, and proposed form of telegram to be forwarded by the Federal Reserve Board to all Federal Reserve Banks and a draft of letter to be forwarded by Governor Harding to the President.

I have sent copies of these papers to Mr. Jay at Black Point, Connecticut, so that he will have had an opportunity to go over them before he meets you Monday. I am sorry that in the very limited time which I have had to work on this matter it has been impossible for me to prepare the form of statement to be issued by the President, but as I explained in my letter transmitted to Mr. Jay, I feel that the very brief opportunity that I have had to work on this subject this morning was better spent on the enclosed papers.

You will notice, however, that the memorandum of procedure is so detailed that the outline of the statement to be issued by the President will need only to be elaborated in order to provide a suitable statement to be issued by him. As I told Mr. Jay, ~~here~~, I shall work on such a statement to-morrow and Monday and will have some sort of a preliminary draft ready for you or Mr. Jay in Washington on Tuesday morning. I am afraid, however, that all of my efforts are a little elementary and that these may not be just what you want. My only excuse is the briefness of the picture that I got from you and the even briefer time in which I had to work on it.

Very truly yours,



George L. HARRISON,
~~Deputy Governor~~

Governor Strong,
Hotel Plaza, New York, N.Y.

Dear sir:

I have just spent a fortnight traveling through Western and Southern agricultural and industrial districts to study the conditions prevailing there, and as requested by you at our conference early in May I am writing you briefly my observations and views.

(Agricultural and Industrial Conditions better but farmer having but small capital in many cases will take two or three years to readjust himself to the new condition.)

I found that in many sections misunderstanding still prevails as to the ~~maximization~~ general credit policy of the Federal Reserve Banks as well as to

their precise relation to producers and distributors.

It seems difficult to make it understood that the Federal Reserve Board has no funds whatever to loan and that the Federal Reserve Banks do not lend to individuals but lend only to banks. The idea also seems to persist that the Reserve Board and the Reserve Banks can direct what particular loans a member shall or shall not make, whereas these are of course matters solely within the jurisdiction of the member bank. The credit policy of the Reserve Board and the Reserve Banks are expressed and made effective through the discount rates, which are a reflection of existing credit conditions and act impersonally without reference to any particular loans of the member banks.

A year ago several of the reserve banks raised their rates in order to conserve credit for

the Autumn agricultural requirements, and in October the Reserve banks in agricultural sections were borrowing from other reserve banks \$267,000,000.00. Now the demands for credit have declined, bank reserves have risen, and reserve bank rates have been reduced. An unprecedented volume of last year's agricultural products is being carried over, largely on bank credit, and the credit requirements for this year's crops are being felt. The reserve bank at Minneapolis and Richmond have already had to borrow from other reserve banks to secure additional credit for their districts.

The Federal Reserve Board and all of the Reserve Banks, I am sure, are fully alive to the importance of continuing the policy of extending credit most liberally to member banks which require it for the financing of their customers. I am not aware that pressure on member banks to reduce loans is being

exerted anywhere in the country. But in view of the continued misunderstanding of Federal Reserve policies, to which I have alluded, the Federal Reserve Board, after hearing my report, has to-day telegraphed each Reserve Bank, reiterating the necessity of continuing liberal credit policies, has again called their attention to the fact that the Board has never revoked the permission, granted to member banks under authority of law in the early days of the war, to re-discount the eligible paper of non-member banks, and has asked each Reserve Bank to advise each of its member banks accordingly and to give full publicity to the message. I trust that this message and the publicity attendant upon it may remove finally both the misunderstandings as to the credit policies of the system and the use ~~in~~ which some banks, both member and non-member, have at times made of the alleged restrictive policies of the

Reserve banks to justify their refusal to extend credit to their customers.

The Board believes that the liberal extension of credit involved in the foregoing policy should remove any apprehension which farmers and cattle raisers may have felt as to their ability to carry through their season's operations and gradually to market their products. Further legislation which has been suggested making eligible for discount agricultural paper with more than six months to run does not seem necessary, for although the present situation requires time and patience for its solution, there is nothing in the law or the policies of the Federal Reserve banks to prevent the re-discount of renewal paper to a reasonable extent where member banks feel justified in making such renewals. Nor is it necessary at present further to adjust the rates of the Reserve banks as in all agricultural

and nearly all industrial district these rates are at or below the level of the rates at which member banks are loaning, and therefore are not exerting either penalty or pressure.

For the facilitation of the credits required by our foreign trade, the regulations of the Board regarding bankers' acceptances are being restudied with the view to meeting more liberally the present abnormal credit demands. The first change determined upon and announced several weeks ago was the permission to the Reserve banks to buy acceptances arising out of imports or exports with a maturity up to six months where such maturities were required by the usages of trade. As a permanent policy the Board would be glad to see our foreign trade banks which come under its supervision under section 25 of the Federal Reserve Act, whether chartered under

federal or state laws, empowered to become members of the Federal Reserve system; and to have such legislation, federal or state, as under proper safeguards would accord to the banks of other countries the same facilities and opportunities in the United States as are extended to our banks abroad.

In conclusion may I assure you that the Federal Reserve Board is keeping closely informed from day to day of the progress of the re-adjustment which is taking place not only in the United States but throughout the world; and that the policies of the Federal Reserve System are being developed with the view to facilitating production and easing the difficulties under which industry, commerce and agriculture labor at present. The level of the credit reservoir is nearly 40% higher than it was a year ago. Its condition justifies a liberal policy not only in

the extension of credit to our own producers and distributors but also to foreigners who wish to buy our produce. For the primary extension of credit either at home or abroad the Federal Reserve banks are not responsible, but as banks of re-discount they are ready now as they have been in the past to support their members in extending such credits as our producers, distributors and exporters may require.

*with the bankers which you attended
as you know*
The bankers conference held last week was called for

the purpose of inquiring into international credit conditions and the practicability, by extensions of credit, of stimulating our exports, particularly of those agricultural products of which a larger surplus than usual has been carried over from the preceding year.

It appears that

While other exporting countries are also feeling a
decline in the demand for their products, purchasers of goods from the United States are finding especial difficulty in paying for them, because at present every nation in order to purchase goods in the United States must give a premium to secure the dollars with which to settle the account. The improvement in our domestic credit con-

ditions now justifies us in encouraging the extension of credit to other countries in order that they may more freely purchase our goods and more easily pay for them.

The adoption of a more liberal policy in the extension of private credit to foreign countries and their nationals naturally requires a continuance for the present of the liberal policy this government has pursued towards the beginning of interest payments on the war debts of foreign governments. For, obviously, when foreign countries are foregoing purchases of our goods because they cannot give the dollars with which to pay for them, to insist that they begin interest payments aggregating nearly \$500,000,000 a year on their war debts to us would require them still

further to curtail their purchases and would neutralize the assistance they might receive from new loans negotiated here.

Our purpose at the moment is to facilitate the export of American goods, particularly our surplus agricultural products. The bankers who attended the conference gave assurances that every proper effort would be made in negotiating loans to foreign countries to see that ~~the~~ *a* ~~an~~ fair share of the proceeds would be applied to the purchase of American agricultural products. But they made it clear that under present conditions no restrictions are necessary to make it certain that the proceeds of such loans will be applied either to fresh purchases of goods in the United States or to the payment of debts contracted for goods previously purchased here. Whether the purchasing power created by such loans is expended by the *original borrower*, ~~country negotiating the loan~~ or by some other country to

which the borrower is indebted, is immaterial, for it is only by the export of gold equivalent to the proceeds of the loan that this country can be deprived of the advantage of having the proceeds of the loan expended here; and at present gold is not being exported but on the contrary is flowing into us from every part of the world.

Before making a statement regarding this conference the return to Washington of Governor Harding of the Federal Reserve Board has been awaited. For the past fortnight he has been in the West and South securing first hand information regarding domestic industrial and agricultural conditions. His letter of yesterday which is appended makes it clear that the credit policies of the Federal Reserve System are being shaped and executed with an eye not only to carrying forward of agricultural and industrial production and facilitating its distribution both at home and abroad, but also to relieving apprehensions with respect to the supply of credit which the farmers and live

stock men have been feeling as their season progressed.

These assurances that our bankers, whether their field of credit extension is at home or abroad, will work together for the stimulation and revival of our trade, both foreign and domestic, taken together with the steady improvement in our credit supply may well bring encouragement to purchasers and distributers who are depressed by the trials and difficulties of the readjustment through which the United States and all other nations ^{are} ~~is~~ now passing.

EXHIBIT "B"

PROPOSED FORM OF LETTER FROM GOVERNOR HARDING TO THE PRESIDENT

My dear Mr. President:

I have just returned from a two weeks trip through the middle West, a trip which I have made, as I advised you on for the purpose of making a study of the conditions prevailing throughout the agricultural districts.

Because of the very great importance of this subject to the country at large, I am taking the liberty of reviewing in brief my observations upon that trip, and of outlining to you the present, and proposed, policy of the Federal Reserve System, to aid in the readjustment of those conditions.

(Review of conditions by Governor Harding)

In order that there may be no misunderstanding of the position of the Federal Reserve System, I wish briefly to explain the precise relation of the Federal reserve bank to the farmer, manufacturer, merchant, and the exporter. As you are undoubtedly aware, the Federal reserve banks do not, and cannot, deal directly with the individual, whether he be the producer, manufacturer, or exporter. The only authority that the Federal reserve banks have to make loans, or to advance credit, is that authority conferred by section 13 of the Federal Reserve Act, to make loans or advances to their own member banks. They cannot make loans to the individual borrower, nor can they require a member bank, or any other bank, to make a loan to a borrower. So also it should be made clear that whether or not a particular borrower may be called upon to liquidate an outstanding loan to a member bank, is a matter which comes solely within the jurisdiction of that particular bank, and is not in any way subject to the jurisdiction of the Federal reserve bank.

The Federal reserve banks have never been instructed, or requested, by the Federal Reserve Board to urge their member banks to liquidate the loans of their customers. On the contrary, both the Federal Reserve Board and the Federal reserve banks have generally pursued the policy: that the aggregate amount of borrowings by member banks from their Federal reserve banks is a matter controllable by the rate of discount, and not

by any arbitrary shutting off of credit, at any rate.

In view of the fact, however, that, as I found on my recent trip, there has been a very general misunderstanding of the relations between the Federal reserve banks and the borrowing public, and in view of the further fact, that certain commercial banks have from time to time attempted to justify their refusal to make advances to their customers by the alleged excuse that the Federal reserve banks would not permit this, that, or the other kind of a loan, the Federal Reserve Board, in an effort to emphasize the necessity of a proper public understanding of the functions of the Federal reserve banks, has sent the following telegram to each of the Federal reserve banks, calling attention to the necessity of continuing a most liberal policy in the extension of credit in the agricultural sections:

(Telegram)

It is believed that this telegram will make it apparent that the Federal reserve banks stand ready now, as in the past, to advance credit to their member banks whenever those advances may be needed. in order to permit of a proper and normal liquidation of their loans to their customers. It is now the policy of the Federal Reserve Board, just as it has always been, that no pressure should be made upon member banks to liquidate loans, which might cause undue hardship and loss to borrowers, who are suffering because of the drastic liquidation of the past year, and whose insolvency would only result in loss both to them and to the lending banks.

The Federal Reserve Board is clearly of the opinion that for the present there should be no further change in existing rates of discount, but that the credit facilities of the Federal reserve banks should liberally be extended to their member banks at existing rates. There cannot be and, in the opinion of the Federal Reserve Board, there is not, any just complaint that the existing rates of discount tend, merely because of the rate, unduly to restrict credit, since in most districts the prevailing rates of discount are below the market rate for money.

A reduction in the present level of discount rates, it is believed, would only encourage unsound speculation in both the securities and commodities markets, and would tend to maintain the present costs of production above competitive levels,

without providing any greater freedom of credit where it is legitimately expected and needed. The Board believes, therefore, that the present discount rates, with a fuller public realization of the willingness of the Federal reserve banks to extend credit, wherever required, at those rates, will best accomplish a natural and normal readjustment of the credit situation, and will best promote the welfare of the agricultural interests, and the country as a whole.

Section 19 of the Federal Reserve Act provides in part that "no member bank shall act as the medium, or agent, of a nonmember bank in applying for, or receiving, discount from a Federal reserve bank ***** except by permission of the Federal Reserve Board." In order further to facilitate the flow of credit to those borrowers and sections where most needed, the Federal Reserve Board, as stated in the enclosed telegram, has exercised the power conferred upon it, to permit member banks to act as the medium, or agent, of nonmember banks in applying for discounts from the Federal reserve bank. This action should have a marked effect, particularly in those areas where much of the agricultural borrowings is of necessity made through state banks, which are not members of the Federal Reserve System.

Before concluding, I wish to state that the Federal Reserve Board, in order to encourage the sale and export of American goods, has recently amended its regulations so as to permit Federal reserve banks to purchase acceptances growing out of transactions involving the importation or exportation of goods, even though they have a maturity at the time of discount in excess of three months, the previous limit, but not in excess of six months. It was realized that one of the effects of the war and present worldwide conditions, was to slow up the process of international trade transactions, and, in extending its regulations so as to permit Federal reserve banks to purchase six months acceptances, the Federal Reserve Board, it is believed, has taken an important step towards simplifying the problem of financing the export of our goods abroad.

The Board is also considering at the present time the possibility of further liberalizing its acceptance regulations, but is not yet prepared to make any definite announcements in this regard. I beg to remain, my dear Mr. President,

Respectfully yours,

MEMORANDUM OF PROCEDURE CONCERNING THE CREDIT SITUATION
IN ITS RELATION TO INDUSTRY AND AGRICULTURE.

In order more definitely to carry out the suggestions and policies discussed at the conference of bankers with the President and the Secretary of the Treasury and the Secretary of Commerce at the White House on May 25, the following is proposed as a tentative form of procedure:

I. The Secretary of the Treasury should, at his earliest convenience, confer with the Federal Reserve Board in order to advise them of the discussions which took place at the White House on the evening of May 25, and to suggest that the Federal Reserve Board take the following steps:

a. Prepare and issue to all Federal Reserve Banks a letter, or preferably a telegram, emphasizing the necessity of the liberal extension of credit in the agricultural districts and calling to the attention of the Federal Reserve Banks the importance of making public their past and present policy in this regard. This action by the Federal Reserve Board is proposed in order to make it impossible for member banks in these areas to deny credit to their customers upon the false excuse that the Federal Reserve Banks have shut off their credit. (See form of telegraph hereto attached and marked "Exhibit A.")

b. Prepare and forward to the President a letter reviewing in some detail the conditions in the agricultural areas as viewed by Governor Harding on his recent trip through the Middle West, and defining the Board's policies insofar as they affect the restoration of normal conditions in both the industry and agriculture of the country. (See form of letter hereto attached marked "Exhibit B.")

II. Subsequent to the action by the Federal Reserve Board proposed in paragraph I above, it is suggested that it would be advisable for the President

to make a public statement referring to the Board's telegram to the Federal Reserve Banks and quoting in whole Governor Harding's letter to the President. This public statement should also refer to the following matters in the order named:

- (a) The conference held at the White House on May 25.
- (b) The advisability of encouraging foreign borrowing in this market without any unnecessary restrictions as to how the proceeds should be applied.
- (c) The fact that it is impossible for the proceeds of a foreign loan made in this country to be exported except by the shipment of gold, and that gold exports are not now likely, since existing exchange rates would make it too unprofitable to borrow dollars in this market at a premium to be exported in gold at par. It should be noted that even though the proceeds of a loan made to Belgium, for instance, are used by Belgium in the first instance to purchase goods from the Argentine, that purchase is made by a transfer of credit on the books of the United States and the proceeds of the loan still remain in the United States, but to the credit of Argentine instead of to the credit of Belgium. Inasmuch as dollars are at a premium in the Argentine just as they are in Belgium, it is unlikely that the proceeds of the loan will be exported from this country in gold at par. They will, therefore, be utilized by the Argentine either for the payment of existing debts in this country or for the purchase of goods from this country.
- (d) The assurances given to the President by the bankers with whom he has conferred that they will gladly cooperate with the Government to facilitate the foreign commerce of the country by making every proper effort to scrutinize foreign loans made in this country in order to see that their proceeds are as far as possible applied directly to the payment of existing debts or to the purchase of goods in this country and also to see that a

proper proportion of the proceeds of such loans are applied by the foreign borrowers to the purchase of agricultural products in this country.

(e) The intention of the administration to urge the immediate enactment of legislation permitting foreign banks to operate branches in the United States without prohibitive restrictions either by State or Federal law, this legislation being necessary in order that foreign countries will not be retaliatory legislation prohibit or impede the operations of American banks and bankers in those foreign countries.

(f) The intention of the administration to consider the propriety of our permitting foreign governments to postpone the payment of interest on our foreign government debts for a period of two years. Since the payment of interest on those loans must be in dollars, to request foreign governments now to borrow the full amount of the accumulated interest in dollars will only tend further to distort the exchange market and to run dollars up to a premium even greater than they are at present. Furthermore, it will be necessary in the next few years for Germany to make extensive loans in this country in order to fulfill the obligations imposed upon it by the Reparations Commission. With this relatively necessary demand upon our market for dollars it would be only an additional burden upon our export trade for this Government to abandon its liberal policy in reference to the payment of interest by our debtor governments. To require all of those various borrowing governments to scramble to get American dollars merely for the purpose of making their interest payments will have the inevitable effect of creating an even higher exchange barrier against our exports by making it more and more unprofitable for foreign buyers to purchase goods in this country. (Tentative form of statement to be issued by the President is attached hereto and marked "Exhibit C.")

GLH/RH

EXHIBIT "A"

PROPOSED FORM OF TELEGRAM TO BE FORWARDED BY FEDERAL RESERVE

BOARD TO ALL FEDERAL RESERVE BANKS

"In view of conditions of export market and excess supplies of agricultural products, for which there is not yet a normal or adequate demand, the Federal Reserve Board urges upon all Federal reserve banks the necessity of continuing a most liberal policy in the extension of credit to their member banks, so that those member banks shall have no basis, so far as the credit facilities of the Federal Reserve System are concerned, for calling loans already made, or for denying new loans required by their customers, either for the purpose of carrying staple agricultural products pending their further liquidation in the normal process of distribution, or for the purpose of financing the new crop.

"In view of continued misunderstanding of past and present policy of the Federal Reserve System in this matter, you are requested to forward this telegram to all member banks in your district, and to give it to the press, In order further to facilitate the marketing of the old crop, and the production of the new, the Federal Reserve Board has exercised the authority conferred upon it by section 19, to permit member banks to act as a medium, or agent, in applying for discounts from the Federal reserve bank."

*photostatic copy*PROPOSED FORM OF LETTER FROM GOVERNOR HARDING TO THE PRESIDENT

My dear Mr. President:

I have just returned from a ~~two weeks~~ trip through the middle West, a trip which I have made, as I advised you on ~~May 1~~ ^{I intended making to} for the purpose of making a study of the conditions prevailing ~~throughout~~ throughout the agricultural districts.

Because of the very great importance of this subject to the country at large, I am taking the liberty of reviewing in brief my observations upon that trip, and of outlining to you the present, and proposed, policy of the Federal Reserve System, to aid in the readjustment of those conditions.

(Review of conditions by Governor Harding)

In order that there may be no misunderstanding of the position of the Federal Reserve System, I wish briefly to explain the precise relation of the Federal reserve bank to the farmer, manufacturer, merchant, and the exporter. As you are undoubtedly aware, the Federal reserve banks do not, and cannot, deal directly with the individual, whether he be the producer, manufacturer, or exporter. The only authority that the Federal reserve banks have to make loans, or to advance credit, is that authority conferred by section 13 of the Federal Reserve Act, to make loans or advances to their own member banks. They cannot make loans to the individual borrower, nor can they require a member bank, or any other bank, to make a loan to a borrower. So also it should be made clear that whether or not a particular borrower may be called upon to liquidate an outstanding loan to a member bank, is a matter which comes solely within the jurisdiction of that particular bank, and is not in any way subject to the jurisdiction of the Federal reserve bank.

The Federal reserve banks have never been instructed, or requested, by the Federal Reserve Board to urge their member banks to liquidate the loans of their customers. On the contrary ~~and~~ both the Federal Reserve Board and the Federal reserve banks have generally pursued the policy that the aggregate amount of borrowings by member banks from their Federal reserve banks is a matter controllable by the rate of discount, and not

by any arbitrary shutting off of credit, at any rate.

In view of the fact, however, that, as I found on my recent trip, there has been a very general misunderstanding of the relations between the Federal reserve banks and the borrowing public, and in view of the further fact, that certain commercial banks have from time to time attempted to justify their refusal to make advances to their customers by the alleged excuse that the Federal reserve banks would not permit this, that, or the other kind of a loan, the Federal Reserve Board, in an effort to emphasize the necessity of a proper public understanding of the functions of the Federal reserve banks, has sent the following telegram to each of the Federal reserve banks, calling attention to the necessity of continuing a most liberal policy in the extension of credit in the agricultural sections:

(Telegram)

It is believed that this telegram will make it apparent that the Federal reserve banks stand ready now, as in the past, to advance credit to their member banks whenever those advances may be needed in order to permit of a proper and normal liquidation of their loans to their customers. It is now the policy of the Federal Reserve Board, just as it has always been, that no pressure should be made upon member banks to liquidate loans, which might cause undue hardship and loss to borrowers, who are suffering because of the drastic liquidation of the past year, and whose insolvency would only result in loss both to them and to the lending banks.

The Federal Reserve Board is clearly of the opinion that for the present there should be no further change in existing rates of discount, but that the credit facilities of the Federal reserve banks should liberally be extended to their member banks at existing rates. There cannot be and, in the opinion of the Federal Reserve Board, there is not, any just complaint that the existing rates of discount tend, merely because of the rate, unduly to restrict credit, since in most districts the prevailing rates of discount are below the market rate for money.

A reduction in the present level of discount rates, it is believed, would only encourage unsound speculation in both the securities and commodities markets,

without providing any greater freedom of credit where it is legitimately expected and needed. The Board believes, therefore, that the resent discount rates, with a fuller public realization of the willingness of the Federal reserve banks to extend credit, wherever required, at these rates, will best accomplish a natural and normal readjustment of the credit situation, and will best promote the welfare of the agricultural interests, and the country as a whole.

Section 19 of the Federal Reserve Act provides in part, that "no member bank shall act as the medium, or agent, of a nonmember bank in applying for, or receiving, discount from a Federal reserve bank ***** except by ^{mission of the} ~~order~~ ^{order} of the Federal Reserve Board. In order further to facilitate the flow of credit to those borrowers and sections where most needed, the Federal Reserve Board, ^{stated in the} ~~quoted herein~~ ^{enclosed} telegram, has exercised the power conferred upon it, to permit ^{member} ~~nonmember~~ banks to act as the medium, or agent, of nonmember banks in applying for discounts from the Federal reserve bank. This action should have a marked effect, particularly in those areas where much of the agricultural borrowings is of necessity made through state banks, which are not members of the Federal Reserve System.

Before concluding, I wish to state that the Federal Reserve Board, in order to encourage the sale and export of American goods, has recently amended its regulations so as to permit Federal reserve banks to purchase acceptances growing out of transactions involving the importation or exportation of goods, even though they have a maturity at the time of discount in excess of three months, the previous limit, but not in excess of six months. It was realized that one of the effects of the war and present worldwide conditions, was to slow up the process of international trade transactions, and, in extending its regulations so as to permit Federal reserve banks to purchase six months acceptances, the Federal Reserve Board, it is believed, has taken an important step towards simplifying the problem of financing the export of our goods abroad.

The Board is also considering at the present time the possibility of further liberalizing its acceptance regulations, but is not yet prepared to make any definite announcements in this regard. I beg to remain, my dear Mr. President,

Respectfully yours,

people consequently 18 to 20 years ago had to go to the market to buy their food. Now people are more self-sufficient and can buy their food in the market.

OLIGOTROPHIC LAKES IN THE LAKES DISTRICT AND HOLLOWAY

The conference with the bankers which you attended last week was as you knew called for the purpose of inquiring into international credit conditions and the practicability, by extensions of credit, of stimulating our exports, particularly of those agricultural products of which a larger surplus than usual has been carried over from the preceding year.

It appears that there has been a general slackening abroad in the demand for goods, and purchasers of our products have found especial difficulty in paying for them, because at present every nation, in order to purchase goods in the United States must pay a premium for the dollars which it needs to settle the account. The steady improvement in our domestic credit conditions now justifies us in encouraging the extension of credit to other countries in order that they may more freely purchase our goods and more easily pay for them.

But the adoption of a more liberal policy in the extension of private credit to foreign countries necessarily requires a

continuance for the present of the liberal policy this Government has already pursued towards the inauguration of interest payments to it on the war debts of foreign governments. Obviously, when foreign countries are foregoing purchases of our goods because they cannot get the dollars with which to pay for them, for us to nevertheless insist that they begin interest payments aggregating nearly \$500,000,000 a year on their war obligations which we hold ^{would} require them still further to curtail their purchases and would neutralize the power to purchase which they might secure from new loans negotiated here.

Our purpose at the moment is to facilitate the export of American goods, particularly our surplus agricultural products. The bankers who attended the conference gave us assurances that every proper effort would be made in negotiating loans to foreign countries to see that a fair share of the proceeds would be applied to the purchase of American agricultural products. But they made it clear that under present conditions no restrictions are necessary to make it certain that the proceeds of such loans will be applied either to fresh purchases of goods in the United States or to the

payment of debts contracted for goods previously purchased here.

Whether the purchasing power created by such loans is expended

here by the borrowing country or by some other country to which

the borrower is indebted, is immaterial, for it is only by the

export of the proceeds of the loan in gold that this country

can be deprived of the advantage of having the purchasing power
expended here;

thus created and at present gold is not being exported but on

the contrary is flowing in to us from every part of the world.

Before writing you of the result of this conference I have
awaited the return to Washington of Governor Harding of the Feder-
al Reserve Board, who for the past fortnight has been securing
first hand information in the South and West regarding domestic
industrial and agricultural conditions. His letter of yesterday
which I attach makes it clear that the credit policies of the
Federal Reserve System are being shaped and executed with a view
not only to carrying forward agricultural and industrial activity
and facilitating the distribution of their products at home and
abroad, but also to relieving apprehensions with respect to the

3

supply of credit which the farmers and live stock men have been
feeling as their season progresses.

These assurances that our bankers, whether their field of
credit extension is at home or abroad, will work together for the
stimulation and revival of our trade, both foreign and domestic,
taken together with the steady improvement in our credit supply
and in business conditions may well hearten those of our farmers
and manufacturers, merchants and exporters who are somewhat dis-
couraged by the trials and difficulties of the readjustment through
which we are now passing.

I trust it will also serve to put an end to the attitude which not a few banks, member and non member alike, have at times adopted of declining loans to their customers on the wholly false pretext that the Federal Reserve System is opposed to banks' making a particular loan or class of loans.

Dear Sir :

I have just seen agricultural and industrial districts there, and as requested you briefly my observations.

(Agricultural)
only small capital invested in himself to the new conditions.

I found that in the general credit policy precise relation to production understood that the

and that the Federal Reserve Banks. The idea also and the Federal Reserve Board or shall not make, within jurisdiction of the Federal Reserve

council which are a reflection of existing credit conditions and act impersonally, without reference to any particular loans of the member banks.

A year ago several of the reserve banks raised their rates in order to conserve credit for the Autumn agricultural requirements, and in October the Reserve banks in agricultural sections were borrowing from other reserve banks as much as \$267,000,000.00. Now the demands for credit have declined, the bank reserves have risen, and the reserve bank rates which were then raised have been reduced. An unprecedented volume of last year's

spent a fortnight traveling through Western and South-Industrial districts to study the conditions prevailing and by you at our conference early in May I am writing observations and views.

and Industrial conditions better; but farmer having many cases will take two or three years to readjust (situation, etc.)

some sections misunderstanding still prevails as to

of the Federal Reserve Banks as well as to their customers and distributors. It seems difficult to make the Federal Reserve Board has no funds whatever to loan. Reserve Banks do not lend to individuals but lend only to business firms. It also seems to persist that the Federal Reserve Board Reserve Banks can direct what particular loans a member shall make, whereas these are of course matters solely within the member bank. The credit policy of the Reserve Board and Reserve Banks is expressed and made effective through the discount rates which are a reflection of existing credit conditions and act impersonally, without reference to any particular loans of the member banks.

A year ago several of the reserve banks raised their rates in order to conserve credit for the Autumn agricultural requirements, and in October the Reserve banks in agricultural sections were borrowing from other reserve banks as much as \$267,000,000.00. Now the demands for credit have declined, the bank reserves have risen, and the reserve bank rates which were then raised have been reduced. An unprecedented volume of last year's

Dear Sir :

I have just spent a fortnight traveling through Western and Southern agricultural and industrial districts to study the conditions prevailing there, and as requested by you at our conference early in May I am writing you briefly my observations and views.

(Agricultural and Industrial conditions better; but farmer having only small capital in many cases will take two or three years to readjust himself to the new condition, etc.)

I found that in some sections misunderstanding still prevails as to the general credit policy of the Federal Reserve Banks as well as to their precise relation to producers and distributors. It seems difficult to make it understood that the Federal Reserve Board has no funds whatever to loan and that the Federal Reserve Banks do not lend to individuals but lend only to banks. The idea still seems to persist that the Federal Reserve Board and the Federal Reserve Banks can direct what particular loans a member shall or shall not make. In areas these are of course matters solely within the jurisdiction of the member bank. The credit policy of the Reserve Board and the Federal Reserve Banks is expressed and made effective through the discount which are a reflection of existing credit conditions and act impersonally, without reference to any particular loans of the member banks.

A year ago several of the reserve banks raised their rates in order to conserve credit for the Autumn agricultural requirements, and in October the Reserve banks in agricultural sections were borrowing from other reserve banks as much as \$267,000,000.00. Now the demands for credit have declined, bank reserves have risen, and the reserve bank rates which were then raised have been reduced. An unprecedented volume of last year's

agricultural products is being carried over, largely on bank credit, and the credit requirements for this year's crops are already being felt. The reserve bank at Minneapolis and Richmond have begun to borrow from other reserve banks to secure additional credit for their districts.

The Federal Reserve Board and all of the Reserve Banks, I am sure, are fully alive to the importance of continuing the policy of extending credit most liberally to member banks which require it for the financing of their customers. I am not aware that pressure on member banks to reduce loans is being exerted anywhere in the country. But in view of the continued misunderstanding of Federal Reserve policies, to which I have alluded, the Federal Reserve Board, after hearing my report, has today telegraphed all the Reserve Banks reiterating the necessity of continuing liberal credit policies; and has authorized member banks to act as agents for nonmember banks in applying for the rediscount of their eligible paper. The Board has asked each Reserve bank to advise its member banks accordingly and give full publicity to the message. I trust that this message and the publicity attendant upon it may remove finally the misunderstandings as to the credit policies of the system. I trust it will also serve to put an end to the attitude which not a few banks, member and nonmember alike, have at times adopted of declining loans to their customers on the wholly false pretext that the Federal Reserve System is opposed to banks making a particular loan or class of loans.

The Board believes that the liberal extension of credit involved in the foregoing policy should remove any apprehension which farmers and cattle raisers may have felt as to their ability to carry through their

season's operations and gradually to market their products. Further legislation which has been suggested making eligible for discount agricultural paper with more than six months to run does not seem necessary, for although the present situation requires time and patience for its solution, there is nothing in the law or the policies of the Federal Reserve banks to prevent the rediscount of the renewal of a note in a case where under extraordinary circumstances, like those at present prevailing, it has not been possible to market the goods or produce financed by the original note. Nor is it necessary at present further to adjust the rates of the Reserve banks as in all agricultural and nearly all industrial districts these rates are at or below the level of the rates at which member banks are loaning, and therefore are not exerting either penalty or pressure.

To facilitate the credits required by our foreign trade, the regulations of the Board regarding bankers' acceptances are being re-studied with the view to meeting more liberally the present abnormal credit demands. The first change, announced several weeks ago, was to permit the Reserve banks to buy bankers' acceptances arising out of imports or exports with a maturity up to six months. As a permanent policy the Board would be glad to see our foreign trade banks which come under its supervision under Section 25 of the ~~Act~~, whether chartered under Federal or State laws, become members of the Federal Reserve System; and would welcome legislation, Federal or State, as under proper safeguards would accord to the banks of other countries the same facilities and opportunities in the United States as are extended to our banks abroad.

In conclusion may I assure you that the Federal Reserve Board is keeping closely informed from day to day of the progress of the readjustment which is taking place not only in the United States but throughout the world; and that the policies of the Federal Reserve System are being developed with the view to facilitating production and easing the difficulties under which industry, commerce and agriculture labor at present. The level of the credit reservoir is nearly 40% higher than it was a year ago. Its condition justifies a liberal policy not only in the extension of credit to our own producers and distributors but also to foreigners who wish to buy our goods. For the primary extension of credit either at home or abroad the Federal Reserve banks are not responsible, but as banks of rediscount they are ready now as they have been in the past to support their members in extending such credits as our producers, distributors and exporters may require.

High Cost Prod -

Reduced buying power -

Exchange -

Political risk of credit -

He T. R. D.
at the
Bank of St. Louis

(1) No reduction of discount rates which will encourage speculation and inflation and tend to maintain costs of production above competitive levels.

(2) Discontinuance of pressure upon borrowing member banks to liquidate loans which would cause losses and hardships to borrowers and possibly insolvencies.

Liberal

(3) Free extension of credit by reserve banks in the agricultural sections to enable the new crop to be made.

Prey
Statement

(4) Encouragement of foreign borrowing in this market without restrictions as to how the proceeds should be applied.

F.M.D.

(5) Liberalize the regulations of the Federal Reserve System governing acceptance credits for financing imports and exports, particularly the latter.

Free
Statement

(6) Fund the debt of the allied nations to our government upon such liberal terms as will defer payments of interest during the present period of pressure upon the exchanges.

Free
Statement

(7) Secure legislation which will enable foreign banks to open branches in the United States without too burdensome restrictions.

(8) Permit some sort of Federal reserve membership for foreign trade banking corporations, so that their bills will enjoy as favorable rates as those of member banks.

(9) Non-member bank

Banks - Lib's bonds -

Ham 7600

CLASS OF SERVICE	SYMBOL
Gram	
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
Gram	
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 COMMERCIAL NAT'L BANK BLDG., 14th & G STS., N. W. WASHINGTON, D. C. ALWAYS OPEN

1921 JUL 31 PM 8 55

C264B 18

NEWBEDFORD MASS 707P 31

BENJ STRONG 3118

FEDERAL RESERVE BOARD WASHINGTON DC

HAVE BEEN LAID UP DOCTOR ADVISES CAN NOT LEAVE TONIGHT VERY
SORRY BUT EXPECT TO ARRIVE TUESDAY MORNING

GEORGE HARRISON.

103 West Main Street

10 18

WR JUL 31 PM 9 00

August 29, 1921.

M. Case:

Mr. Harrison regrets that he will be unable to attend the dinner to-morrow evening, as he is leaving to-night for Washington.

Note Not final,
may be in late

FEDERAL RESERVE BANK
OF NEW YORKINTEROFFICE
ROUTE SLIPOFFICE
MESSENGERTIME _____ A. M.
P. M.

DATE _____

TO _____ DEPARTMENT
DIVISION
SECTIONREMARKS _____
_____FROM _____ DEPARTMENT
DIVISION
SECTIONN. B. USE THIS FORM INSTEAD OF OFFICE ENVELOPE WHEN POSSIBLE.
TO INSUREPROMPTANDACCURATEDELIVERYALLCOMMUNICATIONSHOULDBEDISTINCTLYLABELED

Union Memorial Hospital,
Jan. 19-1920. 3

Mr. S. J. Harrison

My dear Governor,

I am still flat on my back and at times pretty miserable. In the whole, though, everything is going along splendidly and I am asking my nurse to sit this down as I talk. I don't want you think that I have forgotten you ^{or} all my promise to send current reports.

From all I can gather the operation was a bit more than they expected but they all swear I'll be in fine shape once I get out of here. My leg is in a cast from my hip to the tip of my toe and the discomfort that I have now results naturally enough from all the sawing they did, the weight of the cast, and my inability to move around.

But other wise I am fine and delighted to have it back of me. Perhaps a little later you might send me a little work but frankly now I can't read the newspaper myself. I am sorry to have to quit you all at this

time.

Please give my best to everyone and many, many thanks for the roses which do a lot to break the monotony of the four walls of a hospital room.

Sincerely yours,

George Harrison.

per S.H.

now had little sympathy
with what has been done so far.
They miss is good broad banking
mind on the Board and unless
they listen attentively to the
Reserve Banks I'm afraid they will
make a mess of this han-
dleance matter. Mr. Jay is in
Washington now, but I do not
know how popular New York
is in the Capital just now.

I really have no news - I'll
try to find some for you when

I get back to the office the end of the
week. In the meantime, I just wanted
to let you know my plans - and that
I have been thinking of you a lot all
week. I expect to mostly try to
Baltimore for my next vacation.
Has been rather unsatisfactory!
With all sorts of good wishes and the
best of luck to you always

August 28th
Affectionately yours, G. H.

reduces I have been all summer
because of my inactivity. Lately
I have kept pretty much in touch
with things through Jim Jay,
who has been telephoning me
the high spots in the pan
clearance developments. It is
most unsatisfactory however,
for I never know how much I
miss or what may be the
back ground. As far as I can
see, the whole Washington program
has been muddled and I

I'm beginning already to look
forward to the time when we
shall both be back on deck.
You certainly have had a long
hard siege of it - one of much
patience and courage and so
get back in action will be
only the more fun for you on
that account.

As for myself, my knee progresses
splendidly. It is not yet com-
pletely solid, in fact, the doctors
think it won't be for 3 or 4

months more, but it is so much better
and I can do so much more with it that
I'm going back to the office Latitude
morning - the first. I would feel most
cheerful about everything were it not for
the arthritis in the back of my neck
and top of the spine. It has been pretty
bad all summer but again the doctors
held out very favorable promises. They
think now that it has been caused by
a slight but not unusual low grade

infarction in my right kidney
which was operated on about
10 years ago for a mechanical
difficulty - displacement. I am
having it treated, irrigated every
4 weeks and it already shows
much improvement. The neck
condition will necessarily be
down inittering but I am sure
they will have located the
source of the trouble.

So here goes! I cannot tell
you how glad I shall be to get
back to the bank - or how

Jamestown, R. I.,

8.8.74.

Dr. M. Strong:

I have been a com-
plete fizzle as a correspondent all
summer and am in disgrace with
all my friends. But the one thing
that usually most annoys my
neck is the writing posture so
I have just let it go entirely.
I hope you will excuse me.
It has been a joy to hear such
good news of you as all the
recent reports have conveyed and

COPY OF LONGHAND LETTER

Jamestown, R. I.
UNDATED [seemingly end-summer 1923]

August 28, 1923

Dear Mr. Strong:

I have been a complete fizzle as a correspondent all summer and am in disgrace with all my friends. But the one thing that usually most annoys my neck is the writing posture, so I have just let it go entirely. I hope you will excuse me. It has been a joy to hear such good news of you as all the recent reports have conveyed and I'm beginning already to look forward to the time when we shall both be back on deck. You certainly have had a long hard siege of it -- one of much patience and courage and to get back in action will be only the more fun for you on that account.

As for myself, my ~~knee~~ progresses splendidly. It is not yet completely solid, in fact, the doctors think it won't be for 3 or 4 months more, but it is so much better, and I can do so much more with it that I'm going back to the office Saturday morning--the first. I would feel most cheerful about everything were it not for the arthritis in the back of my neck and top of the spine. It has been pretty bad all summer but again the doctors hold out every favorable promise. They think now that it has been caused by a slight but not unusual low grade infection in my right kidney which was operated on about 10 years ago for a mechanical difficulty--displacement. I am having it treated, irrigated every 4 weeks, and it already shows much improvement. The neck condition will necessarily be slower in bettering, but I am sure they now have located the source of the trouble.

So here goes! I cannot tell you how glad I shall be to get back to the Bank -- or how restless I have been all summer because of my inactivity. Lately, I have kept pretty much in touch with things through Mr. Jay who has been telephoning me the high spots in the par clearance developments. It is most unsatisfactory, however, for I never know how much I miss or what may be the background. As far as I can see, the whole Washington program has been rudderless and I have had little sympathy with what has been done so far. They miss is good broad banking mind on the Board and unless they listen attentively to the Reserve Banks I'm afraid they will make a mess of this par clearance matter. Mr. Jay is in Washington now, but I do not know how popular New York is in the Capitol just now.

[sic.]
I really have no news. I'll try to find some for you when I get back to the office the end of the week. In the meantime, I just wanted to let you know my plans -- and that I have been thinking of you a lot all summer. Except for monthly trips to Baltimore for my treatment, my vacation has been entirely uneventful!

With all sorts of good wishes and the best of luck to you always.

Affectionately yours,

G. L. H.

August 28th

S. F. Harrison

FEDERAL RESERVE BANK
OF NEW YORK

IN REPLY PLEASE REFER
TO

September 6, 1923.

Dear Mr. Strong:

Here I am at last, and mighty glad I am to be back. My only regret is that you are not here too, but according to the reports I get it won't be long now before you are back tearing things up again!

I wrote you last week of how I feel. There is nothing more now to say in that connection. I just want to drop you a line to tell you that I am finally back on the job, quite lost in my ignorance, but sublimely happy to be on deck again.

Mr. Case has returned from his vacation this morning, although I have not yet seen him. I have spent most of my two days at the bank with Mr. Jay discussing par collection matters, the approaching hearings of McFadden's committee, and the general situation in Washington. I think you are familiar with the greater part of it, but the present plan, as I understand it, is to have me go to Washington, primarily to inspire the Board with some fixed policy in the matter of par collections. Certainly, so far as I can see, there is no leadership and little possibility of it unless someone from the outside will take a hand. I have felt ever since the matter was first mentioned to me that there is a real handicap in having anyone from New York do the job. You know well enough the ever present prejudice against the efforts, no matter how sincere, of anyone from this bank. Men such as Wingo would never admit that our motives were inspired by anything other than a purely local selfish point of view, and I am afraid in consequence that were I to appear before the committee, even as a representative of the Reserve Board,

a large part of the benefit of a full and careful exposition of the subject would be lost just because of my residence in New York. It is a pity that that should be the case, but it really is so.

While I have not yet been back long enough to become oriented, my present feeling is that even should I go to Washington it should be officially in a purely advisory capacity to Wyatt, the Board's counsel. As such, I could do all that would be necessary so far as the Board itself is concerned. And so far as McFadden's committee goes, I am not ~~so~~ sure but that the logical solution would be to have, perhaps, Mr. Davis appear for the Board. While it is true that he, too, is from New York, nevertheless his selection would be far more logical than mine since he is the System's Counsel on collection matters and since also he is a prominent democrat with presidential possibilities whom Wingo, Steagall, et al could not ignore. I think this aspect of the situation cannot be over-emphasized.

At any rate this is a phase of the matter that might well be considered. The present status as I understand it is this: Mr. Jay has suggested my name to the Board as a consultant with the Board's counsel on matters relating to par collections and we have this morning received a letter from Mr. Crissinger saying that the Board has voted to ask me to go to Washington in that capacity. I have not seen Mr. Jay since the letter's receipt, but I rather suspect that I shall go down early next week, talk the whole matter over with the Board, size up the situation as far as may be possible, and then try to formulate some sort of procedure.

As you know, the Board has already asked the Federal Advisory Council to give it the benefit of its views on this matter at its meeting on the 17th. Mr. Warburg returns to town tomorrow and I shall probably have an opportunity of talking the whole situation over with him. My own present feeling is that Regulation J should never be made effective. The arguments against it are clear and to my mind convincing so far as the present time is concerned. Mr.

Wills and Mr. Martin were in town yesterday and while they are in favor of Regulation J as a matter of theory and principle, they were rather inclined to agree with Mr. Jay and myself that perhaps it could be held off for the time being pending further efforts in other directions, such as amendment to clearing house regulations throughout the country and especially in the Atlanta district. We also had in mind taking up with the Credit Men's Association the suggestion that they have their members agree to change the present caption on their bill heads requiring payment in New York or Chicago funds to a caption somewhat as follows: "Payment may be made by check payable at par through the Federal Reserve System." This would have a two-fold effect; it would put a real handicap on checks drawn on non-remitting banks and it would also tend to reduce present clearing house charges for collecting out-of-town items. There are only twenty-five clearing houses where such charges are now made and if business concerns agree to accept in payment any check collectible at par they will naturally enough endeavor to establish banking accounts in those cities where the banks do not make an interest or discount charge for the collection of out-of-town items. Mr. Jay discussed this suggestion with Mr. Wills and Mr. Martin at length yesterday and they were most favorable to it. It may not work, or it may need to be considerably refined, but it is just another one of those things that must be considered as antidote to Regulation J. Mr. Jay has made some other suggestions designed to speed up collections throughout the country, hoping that this may be an additional argument against the absorption of float.

And so the matter goes. As you see, there is yet no definite plan and no definite policy, but I shall keep you advised of what develops, especially if it is finally determined that I am to go to Washington.

Half the fun of being back is lost in your absence and I am looking forward more than you know to your return. The bank somehow is not the same when you are away. We miss you dreadfully, particularly when there are so many matters of System policy on hand. We will work them out somehow, so don't come

Mr. Strong

9.6.23

flying back before your time. I know myself how much better off I am for having waited an extra two months, and Miss Bleecker and I shall both keep your door locked until your two months are up!

I have not yet touched the Governors Conference matters, but shall keep you informed of whatever comes up and forward the programs as soon as they are on paper. If you have any suggestions of topics that you want put on the program please let me have them.

This is long and rambling, but that's the way my mind is just now.

With all sorts of good wishes,

Always affectionately yours,



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

S. L. Harrison

FEDERAL RESERVE BANK
OF NEW YORK

IN REPLY PLEASE REFER
TO

September 10, 1923.

Dear Mr. Strong:

I am, as you see, still in New York and not definitely certain when I shall go to Washington. I am trying now to gather as much data as we may have available at the bank on the whole subject of collections, especially in its relation to the problem that Claiborne has put before the Board on the subject of float. From what I can gather from Mr. Wyatt, the Board's Counsel, there is little chance of the Board adopting Claiborne's proposed regulation. There is, however, still some interest on the part of some of the members of the Board in the question of our buying intra-district float. I presume, therefore, that in the end there will be three real definite questions: (1) Shall we, or shall we not, put into effect the proposed Regulation J relating to the charges to be placed on the collection of all checks bearing any indorsement of a non-remitting bank; (2) Shall we, or shall we not, buy intra-district float; (3) What shall be done in the event that Regulation J is not put into effect.

As I understand, the Federal Advisory Council has been requested to give its opinion on these questions. They meet in Washington next Monday. I was to have spent the past week-end with Mr. Warburg at White Plains but, unfortunately, when he arrived Saturday morning he was suffering from an attack of ptomaine poisoning and couldn't see me. I am planning, however, to go to White Plains tomorrow afternoon to spend the night with him, and I shall take all my data in the hope that we may draft some sort of program or recommendation that the Advisory Council might adopt. There is no point in my going to Washington this week to talk things over with the Board if the Advisory Council is to go next week wholly unprepared to

like any recommendation consistent with what we believe to be the right policy. If I can accomplish anything by working here with Mr. Warburg, I shall stay until after the Advisory Council meeting if that is necessary.

But even supposing that we get the proper recommendation from the Advisory Council, as I have no doubt we will, there remains the other serious problem of McFadden's Committee. I am enclosing copy of a letter that Mr. McFadden has just written to the Reserve Board concerning the first meeting. It speaks for itself and indicates what a vast field his committee hopes to cover. Wyatt told me this morning on the telephone that the Board is all the more anxious to have me come to Washington since having received this letter, and from what I can gather from Wyatt it looks as though they might draft me for work on a number of the topics that the Board is to be called upon to discuss. I am only too glad to do what I can, but feel more strongly than ever that it would be a mistake for me to appear as the Board's representative before the committee itself. If McFadden calls upon the Reserve Banks, well and good; but otherwise I frankly think we should keep out of it so far as direct testimony is concerned. The situation now is very different from what it was when you appeared before the Agricultural Commission. At that time the New York bank was directly under fire and the New York Money Market in its relation to the rest of the country was directly involved. There was no one but you who could give the Commission the information that they desired. Realizing the antagonism of the average Congressman against Wall Street, I think the better part of any testimony that might come from a New Yorker would be lost unless on a matter directly concerning the New York bank.

So far as par collections are concerned, I still think, as I wrote you last week, that it is very likely that Mr. Davis is the best man to appear for the Board. So far as the other topics which McFadden refers to are concerned, I frankly do not know what member of the Board would be best qualified to discuss them. Wyatt asked me that on the telephone today and I was at a loss, as was he. In any event, I suppose the first move is for me to get to Washington and go over

a whole situation as thoroughly as I can with the Board and see how things develop. It may be that after I have been there some days there will be some natural excuse for me or Mr. Jay to appear before the committee, but I do not believe that we should seek such an appearance.

I shall write you again Wednesday or Thursday, after I have seen Mr. Warburg and after I have learned just when I am to go to Washington. If you have any thoughts that you want me to have please send them to me at the bank as my stay in Washington is at best indefinite and, if necessary, Miss Bleecker can forward them to me.

I am not at all worried about the preparation of the data to be given to the committee. That we can work up all right. The only question is who is the best person to appear for the Board in a hearing the better part of which will necessarily be cross examination. If it were only a matter of direct testimony it would be simple but you can't get very far with direct testimony before a committee of which Mr. Wingo is a member. I know him of old!

Before closing I may say that we discussed with Mr. Orr of the Credit Men's Association the thought which I mentioned in my last letter to you, about having the members of the Credit Association place on their bill heads some caption to the effect that their bills are payable "in blank city exchange or in any check payable at par through the Federal Reserve System." Mr. Orr was delighted with the suggestion and seemed quite sure that it would be favorably received by a good percentage of their members. At any rate it is something to work on.

With all sorts of good wishes from all of us,

Faithfully yours,

George L. Harrison g.l.h.

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

(Dictated by Mr. Harrison
but signed after he had left)

S. F. Harrison

FEDERAL RESERVE BANK
OF NEW YORK

IN REPLY PLEASE REFER
TO

September 13, 1923.

Dear Mr. Strong:

I made a flying trip to Washington Tuesday morning, returning late yesterday. Certain members of the Board felt that I had better go to Washington at once rather than to wait even to see Mr. Warburg concerning the approaching meeting of the Advisory Council; consequently I had to postpone my conference with Mr. Warburg until tomorrow, and in its place have had what has been in some ways an unsatisfactory visit to Washington.

As I intimated to you in some of my previous letters, I was not at all certain of just what was to be my function and when I reached Washington it was with some misgivings that I reported to Mr. Crissinger. He was lying on his sofa apparently not feeling very well and evidently feeling less disposed to talk with me about collections or anything else. He said that Mr. James was the one who had taken collection matters in hand and suggested my going to see him to discuss the whole situation. While the Governor was not abrupt, he wasn't particularly cordial and reflected what I imagined all along was the sentiment of/certain faction of the Board that it was no use calling in anyone from the outside. Mr. Wyatt later verified this assumption, saying that Mr. Crissinger was not particularly favorable to having me, or anyone else, come to Washington to advise the Board about the matters to be discussed before McFadden's committee, but that both Mr. James and Mr. Dawes insisted on having me come if only for their personal assistance. Mr. Miller was on his vacation at the time the invitation to me was being discussed before the Board and I am sure had no part in the deliberations one way or another.

Mr. James was most cordial and very anxious to let me have a free hand so far as he was concerned in developing some sort of a policy which the Board might follow. Certainly he seemed most anxious to get everything that I could give him for his information in case he should be called before the Congressional Committee. So far as my visit with him was concerned, I was really much pleased. I think that he is perfectly susceptible to the suggestion we have made to postpone the issue of the new regulation J and to abandon any project for the purchase of intra-district float by the Reserve Banks. He was also very favorable to our suggestion that the System as a whole might well give attention to the question of speeding up collections in some such manner as our county clearing arrangements. When I described these arrangements in some detail he inquired in substance what in hell was the matter with the other Reserve Banks that they had not done some similar work in other districts. He apparently is quite determined to take up that feature of the matter with the other Reserve Banks as soon as may be feasible. He also favors taking some sort of action, informal if possible, directed towards a reduction in the clearing house charges of those districts where the rates are now obviously exorbitant. With the exception of one or two isolated cases all of those clearing house are located in the Atlanta district. So I say again, as far as Mr. James is concerned I think we are on the right road. My only fear is that the Board as a whole not only does not understand the collection game or its present problems, but will be completely at a loss in a cross examination before McFadden's committee; and the circumstances of my invitation to go to Washington indicate quite clearly to me that there is no danger of my being invited to appear before the committee in behalf of the Board. For the reasons I have already said to you, I think that that would be a mistake in any event, but it signifies a certain self-assurance on the part of some members of the Board that I believe to be entirely unjustified.

I understand that the Board has sent a letter to all Reserve Banks, the members of the Advisory Council, and others asking for their opinions on the several

Letters which McFadden has said he was going to ask the Board to elucidate. The result of this circular letter will undoubtedly be a conglomeration of replies which it will be impossible for the Board to digest before the committee's hearings in October and I know no one person on the Board whose general knowledge is sufficient to justify his appearing before the committee for an extemporeaneous exposition of the several topics proposed. I am undertaking now to prepare for Mr. James and Mr. Dawes a memorandum on each subject and shall try to make it as concise and convincing as possible. But I am afraid that when the time comes it will probably be Mr. Crissinger who will appear before the committee. If so, I wonder as to the outcome.

It may well be that the committee, after hearing the Board's own representatives, will itself ask some of the Reserve Banks to appear before it. If so we may then get our chance and I am hopeful that that's what will really eventualize. I have to go back to Washington Sunday or Monday and shall probably be there a week or ten days more with Mr. James. During that time I shall manage to see McFadden some way or another and am sure that he, himself, will bring up the question of the Reserve Banks. Possibly that will be the best way out.

As a result of my flying trip, I rather feel that there is not so much danger of the Board's adopting any regrettable policy relating to collections. I think that the Claiborne-Adams plan has no supporters in the Board and believe that even Mr. James is now willing to let the question of the purchase of float slide. So also I believe that the Board will be glad to let the adoption of the new regulation J slide along quite indefinitely. My only present fear is that if Claiborne and his crowd get before McFadden's committee they may get supporters there who will have to be argued into a saner position by a very carefully thought out discussion. As I view it, our real problem is to provide now for that contingency, realizing that there is little or no chance of the Board's appointing anyone from this or any other Reserve Bank to accept the job in its behalf. I still believe, however, that they may be willing to have Mr. Davis appear for them on the one subject of

Mr. Strong

9.13.23

selections, - and that may be the best way out, particularly if the committee decides not to call on the Reserve Banks individually.

I have my meeting with Mr. Warburg tomorrow and we may work out a plan then. If not, I shall write you as soon as I get to Washington next week what happens.

My knee is doing splendidly and I am really surprised how little this relatively strenuous existence wearies me.

It certainly will be good to have you back next month!

Affectionately yours,

George L. Harrison
NLB

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

P. S. The Board's speed is pretty well exemplified by their latest appointment -- Hoxton, Federal Reserve Agent at Richmond! I was so shocked when Hoxton told me of it in Washington that I am afraid my congratulations did not impress him.

(Dictated by Mr. Harrison,
but signed after he had left.)

Washington, D. C.
September 22, 1923.

Dear Mr. Case:

I am sorry not to have returned to you before now the enclosed letter from Governor Norris. Unfortunately, however, my opportunities of studying it have been very limited since I have been here, and I have had to put it off from day to day. Even now I have given it only the most superficial examination, but presume that as long as it is submitted to you merely for the "most radical alterations" you did not intend that I should give it the most minute study.

It strikes me on the whole as being most satisfactory. I have always felt that the Government's participation in our earnings under the guise of a franchise tax has been upon the wrong theory, and, as you know, it has resulted from time to time in misunderstandings of our relations with the Government. If our payment to the Treasury is based upon a tax on the uncovered notes outstanding, our relations become, as I think they should be, purely businesslike, in which payment is made upon the service the Government renders, that is, the use of its credit in Federal Reserve Notes.

I think Governor Norris' arguments and his comparisons with other banks of issue are all pertinent, but I cannot help feeling that he weakens his entire case by the compromise which he has reached on page 8, where he suggests an amendment to the Act authorizing, first, a rate of interest on uncovered circulation, and, second, a further contribution to the Government in the form of a franchise tax. In other words, he does not avoid what I now consider to be the real objection, that is, the principle on which the Government shares a part of our excess earnings. It has been that principle that has from time to time enabled the Treasury and others, more or less rightfully, to delve into the methods by which we are doing business and to question the amount of our expenses in conducting that business. Furthermore, the suggestion of Governor Norris not only places the Government's claim for interest on notes ahead of our member banks' claim for dividends, but also gives it a supplementary claim greater than that of our member banks to a contribution from the excess earnings. If, as the figures show, the tax on circulation might be made to approximate what the Government now more or less reasonably expects by way of a franchise tax, why further complicate the thing by giving not only interest on circulation but a 60% interest in the excess profits to be called a franchise tax?

Governor Norris, on the last page of his memorandum, evidently appreciates the difficulties of this compromise. That being so, why is it advisable for your committee to propose the compromise? I, personally, would prefer not to attempt any sort of amendment to the Act, especially when you never can tell where it will end, if the only purpose is to reach

this compromise. The real question is whether it would be worth while to risk an amendment even if the franchise tax were to be eliminated entirely in favor of interest on uncovered circulation. I rather think that it would, perhaps not this year but a little later on. In any event, it is an interesting topic and one that might well be pursued now with a view to procuring an amendment at some future time, even though it is not advisable this year.

Very truly yours,

(Signed) George L. Harrison.

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

Enc.

S. L. Harrison

hns.
Sep. 26/23

**FEDERAL RESERVE BANK
OF NEW YORK**

Washington, D. C.
September 22, 1923.

Dear Mr. Strong:

Miss Bleeker brought me your letter of September 17 when she came to Washington yesterday. I am delighted to know that you are at last away from the sanitorium and that you are really started on the road back to us. It is splendid, and while I hope you don't make the break too soon, we shall certainly be glad to have you back on the job. We miss you dreadfully.

I came to Washington last Monday and sat in on the Advisory Council hearing of Claiborne and Adams concerning their check collection plan. It was most interesting to see the way Aiken, Wade and others showed up Claiborne and his proposal. The Council voted unanimously against it, and I think there is really no one on the Board who is favorable to it. The real difficulty, however, is in getting the Board to take any definite action one way or another concerning the collection plan or the matters to which McFadden has referred in his letter of September 8, a copy of which I sent you a while ago.

Other than revising Regulation J so as to conform to the recommendation of the Advisory Council, I have been able to accomplish little or nothing, except to get together a lot of data which may be useful in presenting the Board's problems to McFadden's committee. Frankly, I have been very much discouraged in my efforts here because of the lack of leadership and appreciation of what really lies ahead for the Board and the System. I poured out all my troubles to Mr. Miller two or three days ago, just before he left for California, and he professed to be as much discouraged as I. He suggested that so far as he could see, the only thing for me to do was to go ahead, irrespective of the Board, and get together whatever reports and statistics and data I could on the matters covered by McFadden's inquiry and turn them over to the Board next week for whatever action they may care to take. As illustrative of the apathy of the Board, I may say that I was told confidentially that the Governor, in discussing the situation, merely remarked that there was a lot of fuss about nothing; that he could amply prepare himself for the hearing by half an hour's study the day before!

So far as par collections are concerned, I think that things are progressing satisfactorily. While the Board has not yet acted upon the recommendations of the Advisory Council, I am inclined to believe that they will approve those recommendations and issue the new regulation in the revised form. That regulation merely maintains the status quo, with the exception of a paragraph which provides that we shall not collect checks on any nonmember bank which refuses to remit at par and whose checks cannot be collected except through an agent over the counter.

Mr. Strong

9.22.23.

That leaves us free to continue collections through other banks even in cases where the member bank is unwilling to remit at par. I also understand from Mr. Jay that the Credit Men's Association is taking favorable action on the suggestion to have their members put some sort of caption on their invoices to the effect that their bills are payable in checks which are payable at par through the Federal Reserve System. That, combined with some sort of a tactful effort to have the clearing houses reduce their collection charges, will about complete all that I think we should do at the present time so far as our practices are concerned. So far as McFadden's committee is involved, I believe it will be necessary to give a very clear, powerful exposition of the whole subject. I am afraid that neither Mr. Crissinger nor Mr. Platt will be able to do that, and there seems to be no one else on whom the Board can agree to represent them at the hearing. It is difficult to present the whole matter in a letter, and yet I believe the Board will attempt that method, supplementing it by oral testimony of the Governor where necessary.

It has been beastly hot and the humidity dreadful for the last two or three days. I have felt the weather more since coming to Washington than all summer. In fact, one of the natives told me this morning that he believed the last three days had been worse than any days this summer. I wouldn't dispute it.

Miss Bleecker's report about the program for the Governors Conference is also a bit discouraging. In spite of our letter, followed by a telegram, we have heard from only four, I believe, of the eleven Reserve Banks. Three of those four say that they have no topics to suggest and Calkins, who is the fourth, advises that he is mailing some suggestions. Even in our own bank there appear to be few ideas for the program. I presume, however, that everything will come in at the last minute, although the Board is anxious, as we are, to have the program issued by October 1. Please don't forget to let me know as soon as possible if you have anything which you are particularly anxious to have on the program, for I am afraid it will be difficult to get it on the program itself unless we hear in time for the original issue.

Always affectionately yours,



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

George *Parsons*

FEDERAL RESERVE BANK

OF NEW YORK

Washington, D. C.,
September 29, 1923.

Dear Mr. Strong:

I wrote you about a week ago, and while I have been pretty busy in the meantime, it is difficult now to say whether or not I have really accomplished anything.

Certainly, so far as some of the individual members of the Board are concerned, I believe my work has been well worth while. James, Dawes, Cunningham, and also Hamlin and Platt, have been most interested in all the matters that are to come up before the Committee, and the better part of my work has been in personal contact with these five. The first three have had so little of the background of the System's work that it has been difficult to crystallize their opinions in such a short time, but I believe that, if only through discussion, I have been able to give them a little bit of the point of view of the System. Dawes, particularly, has impressed me, and for James I have the utmost respect. He is a man of very definite opinions and a hard, conscientious student. The only difficulty is that he is such an enthusiast that each new point that appeals to him is apt to carry him too far in relation to other topics. For instance, in the par clearance discussions, the value of reducing the exorbitant collection charges in some of the Southern clearing houses has appealed to him so vigorously that he wants to go out with an axe and chop off all clearing house charges either by a threat to remove Federal Reserve Branch Banks from those towns which have exorbitant clearing house charges, or by an amendment to law preventing any sort of collection charge for items presented through the Federal Reserve System. While I believe that we may ultimately come to that, it has been a hard job to make him see what a bad effect it would be to use force of any form in accomplishing it. I believe, now, however, that he sees the relative importance of a temperate discussion with the clearing houses rather than governmental threats. My only worry is that he may not stay put when he meets these clearing house fellows, as I think he wants to do, and when, in the heat of discussion, his enthusiasm might revive his old point of view.

It is now Saturday. McFadden's Committee begins its hearings on Tuesday afternoon, when some representative of the Board is to appear. The Board itself has never had any thorough understanding of just how it is to present its case, or through whom. It is taken for granted that Crissinger will appear, but he has been least interested of any of the members in preparing a program for the hearing; indeed the work that I have done has been for the other five members, and Crissinger, himself, has stated to some of those members that he knows perfectly well what he wants to say now and that he is not in sympathy with any sort of presentation of the Board's views through a memorandum. His idea, apparently, is that he is to appear

and give his own personal opinions for what they are worth. That's very well if it is understood that they are his personal opinions. It is easy to sense the fact that both Hamlin and Platt are very much worried about the situation, especially as they disagree on so many important points with the Governor, notably Branch Banking, and even Par Collections.

The Governor has blocked every attempt to strike the suspended Regulation J off the records or to substitute another regulation embodying the Advisory Council's recommendations. These recommendations in substance amount to what I have already expressed to be my own personal views, so that I won't go into detail, other than to say that they really preserve the status quo, - no charge for non-par indorsements, but a continuance of the policy not to handle checks drawn on a bank that is unwilling to remit at par unless those checks can be collected through another bank. A majority of the individual members of the Board appear to be in favor of the Advisory Council's recommendations, but Crissinger seems adamant, and, as a result, no action has been taken. I believe that the whole thing will drag along now certainly until the Governors Conference. If we can at that time get the Joint Conference to give its unqualified support to the views expressed by the Advisory Council it may be that the Board will then determine its policy. James himself is all for our position in the matter, but he rather favors postponing an announcement until he may have had a chance to work on these clearing house charges.

You perhaps know that the directors of the Credit Men's Association are strongly in favor, and have voted to recommend to their members the adoption of some caption along the line which I have already discussed with you, - making their invoices payable in checks which are "payable at par through the Federal Reserve System."

Just one thing more. Aside from what I may loosely term my educational propaganda with individual members of the Board, I have, at the request of the Law Committee, composed of Hamlin and Platt, prepared a memorandum concerning all of the points raised in McFadden's letter. While it is some 30 pages, it is intended only to strike the high spots, and embodies compromises of opinion between Platt, James and Hamlin. I am not wholly satisfied with it myself, but in the limited time available and with the restrictions that they have themselves placed upon me, I think it is the best we can do. Just what will be done with it I am not yet certain, but Hamlin and Platt seem to think that if they cannot get the memorandum into the record in any other way they will present it as embodying their own personal views. Its biggest value will, I believe, be in the supporting data which accompany it; including Mr. Jay's discussion of par collections, also maps and charts on nonmembership, and various other matters relating to the topics McFadden mentions. I won't send you a copy merely because its use is so doubtful and also because it is subject to material change in the next two or three days.

I had lunch with McFadden last week and had a most satisfactory talk with him of the problems of his committee. I spent some three hours giving him my views of the whole situation and he seemed so interested that he asked me if I would be willing to appear before his committee, saying that the dope I had given him was just what he wanted his committee to have. I told him frankly that it would be a great mistake to call me in advance as one of the principal witnesses and asked him not to do so. I did say, however, that if, later on, anything in particular came up concerning which he wished to have my opinion I would, of course, be glad to appear. I think, however, that if I can avoid

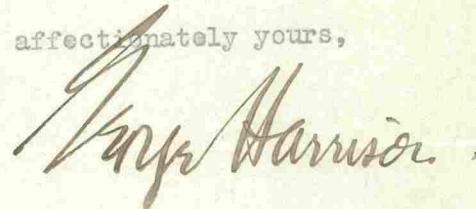
it will be much better so; certainly unless things seem to be going badly.

I saw Senator Glass for a few minutes last week, and he was most reassuring concerning the ultimate outcome. He seems in fine health and high spirits and has his war paint ready!

Mr. Jay has just returned to Washington from the convention at Atlantic City and is at present working on a revamp of his article on par collections with a view to having it in the best form for presentation to the committee in case the Board decides to use it.

With all sorts of good wishes,

Always affectionately yours,



Benj. Strong, Esq.,
Broadmoor,
Colorado Springs, Colo.

9-2-6
1-17-06
9
FEDERAL RESERVE BANK
OF NEW YORK

Tuesday
Jan. 15, 1924

My dear Governor:

See file 435
I have only this morning received your note from The Links,
dated Sunday, concerning the letter to Governor Crissinger.

Yesterday I re-read the letter in the light of your comment
when signing it; redrafted it in an effort to make it very much less
"brittle;" had your name signed to it; and forwarded it to Governor
Crissinger in Washington. I am sorry your note was not received in
time to permit of my holding up the letter. This morning I showed a
copy to Mr. Jay, who says he does not see how anyone could possibly
take offense at it. I hope you, too, will feel that it is sufficiently
soft to avoid any possibility of friction. A copy is enclosed herewith.

I am sorry I did not see you before you left, as I wanted to
say good-bye and wish you all the good times you so well deserve. Take
it easy and get all the good you can out of it. We miss you dreadfully,
and yesterday, with all the out-of-town guests, was not quite complete
without you. They all asked for you and sent their best to you. And
we send ours too!

Affectionately yours,

George Harrison

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

Enc.

P.S. The dinner last night was a hellish bore!

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

TO
Governor Strong

FROM
George L. Harrison

DATE February 2, 1924. 192

SUBJECT:

Washington "Star" Jan 26, 1924
"Relations Hardly Mistled in
Court Dismissal of Bureau
Employees" *Office and File*

This is an article which I found in the Washington paper when I was there last week. Mr. Wile, the author, is reputed to be a very conservative and very reliable newspaper correspondent. The article is rather temperately written in the circumstances and it was a most interesting side-light on the whole Bureau of Engraving and Printing episode. You might like to glance over it.

GLH.MSB
Enc.

Wabash July 23, 24.

~~RECEIVED~~ **ACKNOWLEDGED**

JUL 24 1924

R. S.

Dear Mr. Stone:

I was delighted this morning to get your letter and shall be even so glad to see you any time you may be able to stop off here. Doctor would want me to act so, if, as you suggest, that would be convenient for you, would you mind leaving Mr. Bryan with me the approximate time of your arrival so that I can arrange my "settling-up" accordingly. I am most anxious to see you but hope you won't have me on your mind or make the stop here unless you feel you can do so without any inconvenience at all. I should understand perfectly.

It is boiling hot but I have a comfortable room, fairly cool considering the outside temperature. and manage to get along quite well. If I find a bird in Baltimore in a comfortable well appointed room, I think the doctors would let me leave here in a few days. But leaving no anchor, so

special place to go and a railroad trip whatever
I do, they are urging me to spend another ~~few~~
days here. In the circumstances I have no
alternative - but as to all that I shall
talk with you when I see you. In the
meantime I do want to thank you, however, for
all your letters and messages which Miss B.
has been good enough to send along. My only
real regret, my only worry, is in this enforced
absence from the office, particularly now when
you are short handed and in the midst of all
this moving. But I only lose my temper with
myself when I think about it. I simply
can't conceive of anything left in me that
is ~~quarreling~~ get-at-able with a surly
husband so I hope to stay on deck awhile, since
I get back there ~~very~~ soon I do ~~up~~ of all!
Thanks again in writing for all you have done for
me - and please don't stop off here unless it
is easy and convenient, as speedy as I would like to see you.
Affectionately yours. George Harrison.

(copy)

Copy of Handwritten Note

Wednesday, July 23, [19]24

Dear Mr. Strong:

I was delighted this morning to get your letter and shall be ever so glad to see you any time you may be able to stop off here. Sunday would suit me to a T. So, if, as you suggest, that would be convenient for you, would you mind having Mr. Beyer wire me the approximate hour of your arrival so that I can arrange my "sittings-up" accordingly? I am most anxious to see you, but hope you won't have me on your mind or make the stop here unless you feel you can do so without any inconvenience at all. I should understand perfectly!

It is boiling hot, but I have a comfortable room, fairly cool considering the outside temperature, and manage to get along quite well. If I lived in Baltimore in a comfortable well appointed house, I think the doctors would let me leave here in a few days. But having no anchor, no special place to go, and a railroad trip whatever I do, they are urging me to spend another few days here. In the circumstances, I have no alternative, but as to all that I shall talk with you when I see you. In the meantime, I do want to thank you, however, for all your letters and messages which Miss B. has been good enough to send along. My only real regret, my only worry, is in this enforced absence from the office, particularly now when you are short-handed and in the midst of all this moving. But I only lose my temper with myself when I think about it. I simply can't conceive of anything left in me that is get-at-able with a surgeon's knife, so I hope to stay on deck a while, once I get back there. Anyhow, I do miss it all!

Thanks again, Mr. Strong, for all you have done for me, and please don't stop off here unless it is easy and convenient, as much as I would like to see you.

Affectionately yours,

(Signed) GEORGE HARRISON

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 13, 1924. 192

To Mr. Strong

SUBJECT: _____

FROM Miss Bleecker

Mr. Harrison telephoned this morning to say that he had replied to your letter of August 12, but it had inadvertently not been mailed. He asked me, therefore, to give you the following comments in the meantime:

1. Mr. Harrison believes that the New York bank should not put the topics on the program; if they are placed on the program at all, he feels the Board should do it; but he questions the wisdom of their appearing at all on a program which has pretty wide circulation. He believes misunderstanding and criticism would result, no matter how carefully the topics might be worded.
2. Mr. Harrison feels that it would be much better to have the Board discuss it informally, though fully and frankly, at the Joint Conference, saying nothing whatever about it in advance, unless the Board feels justified in taking it up with whichever bank it is. He feels that this would avoid the misunderstanding bound to result from putting the topics on the program without

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE 192

To _____
FROM _____

SUBJECT: _____

the needed local color.

Mr. Harrison telephoned this morning to say that he had realized to
Also Mr. Harrison asked me to say that he is getting on splendidly,
though slowly. He is taking things very easily, and finds his strength
is returning slowly but surely. He is glad to have office matters
referred to him, and was particularly glad to hear from you.

Mr. Harrison feels that it would be better to have the
Board discuss it informally, though openly and frankly, at the
Joint Conference, saying nothing whatever will be done,
unless the Board feels justified in taking it up with particular
force. He feels that this would avoid the appearance
of being too pointed. He would like to have the topics on the program at the

and forgot the oppressing jolt of
"trying to fit well." I am planning
to leave here Tuesday to go to
Jamestown, R. I. (Hotel Thorndyke)
and then to East Hampton the
next day in my car via New London
and Say Harbor - a motor ride
of only 40 miles. But I shall
let Miss Blacker know my address
as I go. I may possibly take
the boat from here to A. Y. and
then out to East Hampton by rail.
I still sit at my continued

Worrell, Mass.

August 17th 1924.

MUG 19 1924

My dear Mr. Strong:

I have been most
interested by your letters though very
distressed to hear that your mother
has been so ill. It must be a great
comfort to you though to feel that
she is now past the worst of it.

And with Phil ill too, you have
had a poor time of it. Doubtless
that all goes well by now.

I wrote you a letter some days

opposition. But suppose the fact that I am
driving you ~~other~~ than I should warrant
rept. In any event, I shall be careful
and prudent about my return. I really
think I could go back on the first trip
with all the persuasiveness I have had from
you and others. I shall very likely stretch
it out to come this winter to the system
you if I am right about the fact that will
give me a little longer in which to return.

ago about that "packed" Reserve
bank and then finding later that
it had not been mailed I telephoned
to Miss Blacker a resume of my
views as to procedure by the
Board. I find by your subsequent
letter that we nearly agree.

As for myself: I continue to
progress in good shape though I do
not get my strength back as quickly
as I had hoped - particularly in
those back muscles which had to
be strained and retied during the

absence from the bank but you have
all been so generous and considerate
that it is made as easy as
possible for me.

We have been hoping to hear that
you are at Woods Hole and that
you would be carrying out your
threat to spend a day with us.
Mrs. Horn asks particularly that
I send you her best affection with
her regrets that you haven't
turned up. You had better plan
to do it if ever you do come

up this way.

I must close this for the mail.
Thanks again for your letter and
their instructions. I am a most
obedient soul these days!

I miss you all.

Affectionately yours,
George Garrison.

Copy of Longhand Letter

Nonquit, Massachusetts
August 17th, [19]24

My dear Mr. Strong:

I have been most interested by your letters, though very distressed to hear that your Mother has been so ill. It must be a great comfort to you, though, to feel that she is now past the worst of it. And with Phil ill too, you have had a poor time of it. I only hope that all goes well by now.

I wrote you a letter some days ago about that "packed" Reserve Bank and then finding later that it had not been mailed. I telephoned to Miss Bleecker a resumé of my views as to procedure by the Board. I find by your subsequent letter that we nearly agree.

As for myself: I continue to progress in good shape, though I do not get my strength back as quickly as I had hoped -- particularly in those back muscles which had to be severed and re-tied during the operation. But everyone else feels that I am doing even better than I should reasonably expect. In any event, I shall be careful and prudent about my return. I really think I could go back on the first but with all the persuasion I have had from you and others I shall very likely stretch it out to some time nearer to the fifteenth. Even if I am right about the first, that will give me a little leeway in which to relax and forget the oppressing job of "trying to get well." I am planning to leave here Tuesday to go to Jamestown, R. I. (Hotel Thorndyke) and then to East Hampton the next day in my car via New London and Sag Harbor -- a motor ride of only 40 miles. But I shall let Miss Bleecker know my address as I go. I may possibly take the boat from here to N. Y. and then out to East Hampton by rail.

I still fret at my continued absence from the Bank, but you have all been so generous and considerate that it is made as easy as possible for me.

We have been hoping to hear that you are at Woods Hole and that you would be carrying out your "threat" to spend a day with us. Mrs. Glover asks particularly that I send you her best together with her regrets that you haven't turned up. You had better plan to do it if ever you do come up this way.

I must close this for the mail. Thanks again for your letters and their instructions. I am a most obedient soul these days! I miss you all.

Affectionately yours,

(Signed)

GEORGE HARRISON

SERVICE	SYMBOL
am	
	Blue
ed	Nite

Night L 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

HOTEL BREAKERS
Palm Beach, Fla.

70CH VC 47

NEW YORK NY 500P FEB 5 1925

BENJ STRONG

THE BREAKERS PALMBEACH FLO

ARRIVED WASHINGTON SUNDAY SPENDING MONDAY AND PART OF TUESDAY AT
 TREASURY RETURNED BANK YESTERDAY MORNING HAVE MUCH TO WRITE ABOUT BUT
 OWING TO RUSH UNABLE TO DO SO UNTIL TOMORROW FEELING MUCH RESTED AND
 BENEFITTED BY WEEKS ABSENCE THROAT IN FINE SHAPE HOPE ALL WELL WITH YOU

HARRISON

534P

January 21, 1925.

Dear Governor Strong:

The enclosed opinion of Judge Sibley of the United States Supreme Court in Atlanta, handed down on January 8 of this year, will, I know, delight your heart.

From time to time you and I have talked over the constitutionality - or rather the unconstitutionality - of the statutes of those States in the South which have in effect made a check payable at the option of the drawee bank either in cash or another bank draft. In fact, I know it has been your ambition some way or another to have Mr. Baker work this feature of these earlier statutes into the pending Pascagoula case. I myself hesitated about that action only because I was inclined to believe that it was a little irrelevant to the issues in that litigation.

Fortunately, the case of Capital Grain & Feed Company vs. Federal Reserve Bank of Atlanta (why is it always Atlanta that is the defendant?) has provoked an unqualified decision by Judge Sibley that the statute in Alabama, to which I have just referred, is unconstitutional - but almost better than the actual decision itself is the discussion of the Judge throughout the opinion. It is really excellent - although the result does make the Atlanta bank liable in the particular case.

In brief, the case is this: A check drawn by the plaintiff on a member bank in the Atlanta district was forwarded to the Fifth National Bank of New York for deposit. The Fifth National handed the check to the Federal Reserve Bank of New York for collection. We transmitted it to the Federal Reserve Bank of Atlanta, and they in usual course - after delay of some 24 hours - forwarded it to the drawee bank direct. The drawee bank made a remittance by a draft on its reserve account with the Federal Reserve Bank of Atlanta. Before that draft was charged to the reserve account, the drawee bank, or remitting bank, was closed.

The plaintiff contends that the Federal Reserve Bank of Atlanta knew that the drawee bank was in a failing condition and that because of that peculiar knowledge it should have presented the check for payment in cash over the counter rather than through the mail for remittance in another draft. The Atlanta bank pled the law of Alabama, which purported to give to the drawee bank the right to pay either in cash or a bank draft, and that, therefore, it would have been futile to have presented the check for payment in cash over the counter. The Judge has ruled that inasmuch as this aspect of the Alabama law is unconstitutional, it was no excuse for the Federal Reserve Bank of Atlanta in not having presented the check for payment in cash over the counter.

That gives the ruling of law. The Judge, however, leaves for the jury the questions of fact as to whether or not the Federal Reserve Bank of Atlanta did have knowledge that the drawee bank was in a failing condition and as to

whether or not in fact it was tardy in handling the transaction in other respects. You may be interested in some leisure hour in going over the opinion. It is good reading.

The next chapter in this particular case is represented by the enclosed copy of a circular issued by the Federal Reserve Bank of Atlanta, to the effect that in any case where any member bank or Federal reserve bank forwards to it for collection a check on a par bank in its district which happens to be slow in making its remittance, the Atlanta bank will hold up the check, telegraph the endorser the circumstances, and ask whether the endorser wants the item handled as a collection item at the endorser's expense. The circular makes no distinction whatsoever between a member bank and nonmember bank, but purports to relate to all banks in its district - member and nonmember - which are on the par list. The Federal Reserve Bank of Minneapolis has handled a similar situation by removing slow remitting banks from the list if they happen to be nonmember banks and by taking peculiar precaution in any case where they are member banks. That seems to be the clear cut way to handle it, but Atlanta - while leaving such banks on the par list, and thus holding itself out as ready to handle the items as cash items - arbitrarily holds them up when received and telegraphs for authority to handle them as collection items. So far as member banks are concerned, I think their action is probably illegal, but in any event, whether legal or illegal, it seems to me to be an inexcusable procedure and one that might very likely involve the Atlanta bank in more litigation with resulting discredit to the collection system as a whole.

As soon as I received the circular, I called up Mr. Eddy to ask whether the Board had received a copy, and if so whether they had taken any action with regard to it. To my surprise, and somewhat to his chagrin, he told me that not only had the Board received a copy of the circular, but had approved its issue in advance. Under the circumstances, I have decided not to pursue the matter any further at the present moment, but to make a real issue of it as soon as we may have an item held up in accordance with the terms of the circular.

On top of all this, who should appear at the bank the day before yesterday but Randolph, counsel for the Federal Reserve Bank of Atlanta, and McCord, ex-chairman, and now treasurer of the Stone Mountain Memorial Association, and some third and very silent gentlemen, whose name I did not get. They were much perturbed that the Federal Reserve Bank of New York was the only one of the eleven reserve banks which had declined to cooperate with the Federal Reserve Bank of Atlanta in distributing the Stone Mountain Memorial fifty cent pieces. You may remember that McCord and Wellborn wrote us a letter a few weeks ago asking that we purchase some of these coins and hold them in our cash subject only to the order of the Stone Mountain Memorial Association. We wrote back - as I think Mr. Jay advised you at the time - saying that we would prefer not to handle the coins in this manner, and suggested that they be distributed through the medium of some member bank in New York - that being the usual procedure in this district in similar cases in the past.

At the meeting in Mr. Jay's office on Monday, Mr. Randolph explained the general purpose of the Stone Mountain Memorial Association and memorial coin and made a somewhat elaborate patriotic appeal to us to cooperate in this district in their distribution, and then asked me quite frankly to explain why it was that we had turned down their request. I told him that words and disguise all aside the transaction which they asked was as follows:

(1) The Federal Reserve Bank of New York should make a loan without interest to the Stone Mountain Memorial Association to enable them to carry the coins pending distribution at a profit.

(2) That we should be asked to carry the coins in our cash in the nature of a special or unmarked deposit payable only to the order of the Stone Mountain Memorial Association.

I told Mr. Randolph that, as he probably realized, no Federal reserve bank was authorized to make an advance to the Stone Mountain Memorial Association or any similar association with or without interest, and that furthermore, even assuming that the loan was not involved, we were not authorized to accept a deposit from the Stone Mountain Memorial Association to be dispensed subject to their order. Randolph could not deny either of these statements but argued that all the other reserve banks were doing it and that the thing was a great patriotic movement and should be furthered as much as was possible to do so without criticism.

We have had a further discussion about it. Mason and Case are both inclined to agree with my position and not to yield from it, but Mr. Jay and Seiler - and even I myself - would like, if possible, to handle a few of the coins if only because of the fact that we might be subjected to unnecessary criticism for our lack of cooperation in a matter which no other reserve bank had questioned.

In the circumstances, I am trying now to prepare for Mr. Jay to sign, a letter which will not recede from our earlier position, but which will suggest our handling the matter in a way not so blatantly unauthorized by the Act. My thought would be to write the Atlanta bank and inasmuch as the request came from them - completely ignoring the Stone Mountain Memorial Association - and advise them that in accordance with their request, from time to time just a few days preceding the distribution of the coins, we would be glad to buy limited amounts of the coins from the Treasurer of the United States, as we are clearly authorized to do, and that we will pay them out at face value upon instructions from the Federal Reserve Bank of Atlanta.

This will not be quite all that Randolph wants, but it will evidence our desire to cooperate and at the same time preserve our legal position.

This is a long story which should be read only in a hammock. I have gone into detail only because I think you may be interested in the latest difficulties that Atlanta is getting us into. I lose all patience with them and more particularly with the Federal Reserve Board for allowing the situation to continue as it does. I only wish that it had been Randolph Mason of Virginia who had turned down Randolph of Georgia on the Stone Mountain Memorial Association project than George Harrison a citizen, at best, "At Large".

But enough of this. You must be wearied already, and as it is late here, I am planning to go home through the sleet and ice of New York and forget Georgia and its Atlanta. We all miss you, but things seem to be going along smoothly enough. I have had an all day session to-day with Mr. Warburg and the executive committee of the Advisory Council, which has just agreed upon a damning report on the Hull amendment to the McFadden bill. Miller of Richmond was pretty difficult, and the report in its other features is a harmless compromise. I am leaving Friday for South Carolina for a week and plan to be back here on February 2. My best to both you and Miss Bleeker.

Sincerely,

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

[From Harraam Collection]

February 6, 1925.

Dear Mr. Strong:

As I wired you yesterday, I returned to the bank early Wednesday morning, after having stopped off in Washington over Monday and Tuesday. I found on my return, your letter of January 25, together with three separate memoranda dated January 24. Before discussing these, I might better refer to my doings in Washington.

Early Monday morning, Mr. Case asked me over the telephone to have a chat with Governor Crissinger about the open market operations, with a view to informing him that the open market account had reached the \$300,000,000 limit, and that it might become advisable in the near future to go below that limit. I had a very satisfactory talk with the Governor, told him what little I knew of the open market operations of the past week or ten days, and that Mr. Case felt that the Open Market Investment Committee might soon have a recommendation to make with respect to lowering the \$300,000,000 limit. The Governor wanted at once to take it up with the Board more or less informally, but after another talk with Mr. Case, I suggested to him (Crissinger) that it might be embarrassing to Mr. Case if he did so prior to some recommendation from the Open Market Investment Committee itself. Crissinger agreed and stated that he would discuss it with no one except Stewart until such time as he might receive further word from Mr. Case. It was then that Crissinger advised me of the fact that the Board was pretty much split on the matter of open market operations and that while he, himself, was in entire sympathy with the handling of the account by the committee, he felt that a certain group of the Board, headed by Miller, were antagonistic to the influence of this bank in the matter. Miller has exploded on several occasions and stated that we were running the account with a view solely to accommodating the New York market rather than with the purpose of meeting credit conditions throughout the country as a whole. In conclusion, Crissinger stated that he had no doubt that the Board would unanimously approve of lowering the present \$300,000,000 limit, but he said he was afraid that Miller would want to restrict our right to make repurchases if money should later become tighter. Miller apparently feels that we should not have power to sell and buy to meet temporary changes one way or another in the market, but rather that we should be selling now with a view later to raising the discount rate.

Later on that day, Wyatt collared me to tell that there was a definite movement on foot to have the

law amended so as to make all expenditures of the Federal Reserve Board and the Federal reserve banks subject to appropriation by Congress and the budget committee control. Apparently the whole thing was initiated by the fact that Judge Lobdell went to Congress to have the Farm Loan Banks placed upon the same basis as the Federal reserve banks in the matter of expenses. It appears that the Intermediate Credit Bank expenses are controlled somewhat the same way that the Federal reserve bank expenses are. His argument was that the Farm Loan Banks should be as independent as the Federal reserve banks and the Intermediate Credit Banks. The Senate committee, I believe, approved of Lobdell's recommendation, but at this point General Lord heard of the efforts of the Farm Loan Board, hit the ceiling, and called upon the members of the Farm Loan Board to explain. Lobdell outlined his reasons to General Lord, whose only comment was that if uniformity was necessary it should be accomplished by having the Federal Reserve Board and the Federal reserve banks on the same basis as the Farm Loan Banks, that is, subject to budgetary control in Washington. As a result, General Lord went to the President, and, as the story goes, received assurance from the President that he was in entire sympathy with General Lord's proposal. I understand from Wyatt that James and Cunningham expressed their delight at the turn of affairs on the theory that General Lord would then have to effect economies in the Federal Reserve System and that the Board's committee would thus be relieved of that burdensome responsibility. I understand that Hamlin, too, felt that it might be just as well to have both the Board and the Reserve banks subject to General Lord's control in the matter of expenses.

Upon talking the matter over with Case and Jay over the telephone that afternoon, we decided that I might advisably talk the whole question over with Winston on Tuesday morning. Accordingly, I arranged to see Winston and have lunch with him on Tuesday. When I told him of what I had heard and what we believed to be a very serious fundamental objection to General Lord's plan, he told me that he had heard of the movement, that he had gone to Secretary Mellon with the story, and his objections to it, and that Mellon had gone straight to the President, who, Winston advised me, turned completely about upon hearing Secretary Mellon's reasons why the Federal Reserve System should be free from the control to which General Lord wanted to subject it. In conclusion, Winston told me that he thought that there was nothing further to worry about on this score. I mention it now only because I understand from Mr. Jay that he wrote you something of what was in the wind, and I want to relieve your mind, at least for the moment. The most disconcerting feature of all is the fact that Hamlin, James and Cunningham openly took the position which Wyatt tells me they did take.

All this brings up a most unpleasant aspect of the situation. Strater's committee on collections had a meeting in Richmond on January 12. After the meeting adjourned, the committee decided to stop off in Washington and talk over with Mr. James and Mr. Platt certain questions relative to the non-cash collection service. As a result, Strater, Attebery of St. Louis, and Coe, all called on Mr. James and Mr. Platt on January 15. Coe made a somewhat detailed and startling report of the meeting when he returned to the bank. In order to make a complete record of it for future reference, I had Coe dictate his impressions directly to Miss McCarrick. I have shown a copy to both Mr. Jay and Mr. Case, and am sending a copy to you now for your information. I am so disgusted with the whole thing that there is no use trying to express my opinion in writing. I really feel, however, that you should know about the meeting and Coe's reactions. To think that James, a member of the Reserve Board, should talk as he did to junior officers of some of the reserve banks, and worst of all, to one of your own junior officers, criticizing you in the

manner he did, is unspeakable. It is disorganizing and demoralizing, and almost better than anything else, demonstrates James' unfitness for his job. Coe tells me orally that his impression is that in talking about you he even specifically referred to the amount of your salary, but he is not certain enough of this impression to include it in his written statement. In view of the fact, however, that he told Gilbart about it immediately upon his return and prepared his memorandum some ten days later, it is not unlikely that his first impression, that the amount of your salary was mentioned, was the correct one. However, that is merely an incident in a wholly discreditable performance. Coe's memorandum speaks for itself, and I am only hopeful that it may sometime prove the basis of a frank discussion on your part with Secretary Mellon of the whole question of the Federal Reserve Board. You may remember that you already have told Governor Crissinger that some day you might take occasion to thresh out the Board's organization with Mr. Mellon. Mr. Jay and Mr. Case have asked me to tell you now that they feel very strongly - as I myself am inclined to feel - that this last performance of Mr. James is about as good an opening to bring up this question before Mr. Mellon as you are likely to get, and in view of what I have already written about James' attitude on General Lord's plan to subject the Reserve banks to his budget control, it may well be that now is the right time, at least to consider making some sort of an issue on this whole question. Fancher told me that Strater came back to Cleveland equally disgusted with Mr. James' behavior at the Washington meeting. He has stated that he would ask Strater to write a memorandum of his views with respect to the meeting. While I have not seen that memorandum, it may well be that it will be available for you in the event that you care to do something about this question in the near future. The combination of Herson and James is about as poor an influence as we have got in the System to-day, and when that influence seeps down through the junior officers of the Reserve banks as a result of meetings such as Coe and Strater have had with James and Herson, things are coming to a sorry pass. I had not intended now to write you about this meeting, but it has such a close bearing upon what I have already written about General Lord's proposal and the attitude of James, Cunningham and Hamlin with respect to it, that I thought you would much better be advised of it, especially as both Mr. Jay and Mr. Case have urged me not to overlook it and to be sure to send you Coe's memorandum at once.

But to continue with my story. Winston was in a very chatty frame of mind, discussed the Federal Reserve System and its problems, particularly the Federal Reserve Board, and seemed to feel - as I think we all do - that there is no one on the Board who could better assume the job of Governor than Crissinger himself. The real sore spot in the situation in my mind is Mr. James, who, with all his vigor, is generally destructive and rarely constructive. While he may be beating his head up against a blank wall, the difficulty is that some day when we least expect it, he may make a breach in the wall and raise the dickens. The effort of always being on guard is quite a strain.

In this connection, while talking with Wyatt I asked him what he knew about the Atlanta circular. He then told me that until the Federal Reserve Board referred to him for report my letter of January 23 to Governor Wellborn on the subject of the Atlanta circular, he had never heard of the circular. Here is the picture:

Atlanta prepares a circular striking at the roots of the par collection system, sends it to the Federal Reserve Board for approval in

advance, and over the protest of both Eddy and Herson approves of the circular without even referring the matter to its counsel or the law committee. Eddy tells me that in order to stall a bit he had suggested that the matter be referred to the law committee, but that the Board would not hear of it. When my letter was eventually referred to Wyatt, he wrote a memorandum to the Board stating that he believed the Atlanta circular was illegal as to member banks and ill-advised as to nonmember banks; but I question whether the Board will have the courage to take any action with respect to it. Indeed, Wyatt's memorandum was written on January 26 and nothing had been done I know as late as February 3, when I last saw Wyatt. For your information - or to help pass the time while, perhaps, you are on the train, I am sending you a copy of my letter to Wellborn, together with a copy of Campbell's reply and my subsequent letter of February 4.

In this connection, you may be interested to know that in my discussion with Winston I mentioned this Atlanta episode. He was very much interested, somewhat surprised, and definitely perturbed on the ground that the situation in Georgia is apparently worse than we realize up here, and that the action of the Atlanta bank may well precipitate matters. Winston formally requested me to send him a copy of the correspondence, saying that he was most anxious to discuss it with Mr. McIntosh. I have done so, but do not know yet what has resulted. In fact, Mr. McIntosh was in New York yesterday so I presume Winston has not had an opportunity to see him.

Wednesday, after my return to the bank, Mr. Hamlin telephoned me to tell me that the Board had finally approved unqualifiedly of the recommendation of the Governors Conference with respect to holidays of Federal reserve banks. You may remember that after you designated Harding and Norris as a committee of two to discuss this question with the Board, Hamlin telephoned me to have Harding and Norris prepare a letter for him, which might obviate the necessity of their going to Washington. After some correspondence with both Harding and Norris, they forwarded a letter - which I had an opportunity to review - to Mr. Hamlin. I presume that it satisfactorily covered the situation, since I believe they did not call Harding or Norris to Washington. In any event, the matter is finally settled, Wyatt having advised the Board, at my request, that in his opinion the Board could "legally" approve of the recommendations of the Governors Conference in spite of his opinion to the effect that he believed all Federal reserve banks should stay open!

Another matter about which Mr. Hamlin talked to me on the telephone was the pension plan. He asked me definitely to tell you that he delayed action by the Board on this matter because he realized that if any action at all were taken it would be to disapprove the plan in toto. He then told me that in his opinion there is no possibility of the plan passing the Board in any form unless you can persuade Secretary Mellon to support it. Hamlin's suggestion, therefore, was that sometime when you get an opportunity to do so you stop off at Washington, see Mr. Hamlin and talk over the whole situation, and then put the question up to Secretary Mellon. While I don't know just what your plans are, I rather feel - from what Mr. Hamlin says - that the pension plan is "dead", unless you can interest the Secretary in it. Apparently there is little chance of any one else's doing so.

I would like now to report back on the several matters referred to in your memorandum of January 24 and your letter of January 25.

The minutes of the meeting of the Officers Council of January 10 referring to the use of the telephone wires for transactions between Boston, New York and Philadelphia are, I think, complete enough when considered together with Mr. Gilbart's memorandum of December 4, to which the minutes refer. Gilbart's report, which I shall show you on your return to the bank, indicates quite clearly that every safeguard involving the use of both code and teletype word is now being taken in this matter, and as he states, the safeguards are such that the hazards involved in telephoning are no greater than when telegraphing messages.

I have also read your memorandum of January 24 on the subject of Mr. Baker's brief. Apparently Smith's death has placed this litigation in some doubt. Angell, with whom I have talked, questions whether the appeal will be prosecuted, but he is writing to-day to Randolph for some information on that score. Angell also tells me that Mr. Baker has written to him for any suggestions that he might have to make concerning arguments to be made in the brief before the Supreme Court, if and when it should become necessary to file such a brief. Angell has promised to discuss the whole situation with you and me before he complies with Mr. Baker's request on this score, and is writing to Mr. Baker to tell him that that is his plan. In view of the delay incident to Smith's death, I presume there is no question that we will have plenty of time to talk this over with Angell after you return to the bank.

Another memorandum of January 24 asks whether the Badische Bank of Karlsruhe is one of the German State banks of issue left undisturbed by the reorganization of the Reichsbank. I understand from Mr. Crane that that is the situation.

Your letter of January 25 refers to several matters:

(1) Judge Sibley's opinion in the case of the Capital Grain & Feed Company vs. the Federal Reserve Bank of Atlanta. I agree with your conclusion that as between Judge Brandeis' dictum and Judge Sibley's decision, there is no question that we should be guided by the latter and that in any other case similar to the Capital Grain & Feed Company case that might arise in the future, the Reserve bank could protect itself not by continuing to send direct but by making presentation at the counter.

(2) The circular of the Atlanta bank relative to checks drawn on banks which have in the past made unsatisfactory returns. In view of Judge Sibley's decision just referred to, the Atlanta bank has two alternatives, as I pointed out in my correspondence with Wellborn and Campbell - either to remove the bank from the par list in the case of a nonmember bank; or else to present over the counter in the case of a member bank, as indeed in the case of a nonmember bank which they have left on the par list. But the correspondence which I am enclosing gives my detailed views with respect to this matter.

(3) Stone Mountain Memorial coins. I rather think that the matter is now satisfactorily disposed of in view of our supplementary letter to Governor Wellborn along the lines which I outlined to you in my letter of January 21.

(4) The McFadden bill. The bill seems to be having rough sledding in the Senate, and while I understand that it is to be reported out this week, it will probably be with a number of amendments.

February 6, 1925.

(5) My throat. I have been very remiss in not having written you more often, but to tell the truth, I left the bank on January 23 and buried myself in the woods in South Carolina, pretty much out of reach of the telephone and with a minimum of mail. I started a letter to you while there and then, not being certain of my plans about going to Atlanta, I postponed writing until it was almost too late to send a letter. I want you to know, though, that the week's rest and complete isolation from the outside world did me an immense amount of good, and I came home feeling very much more rested physically and mentally than I have felt in many months. My throat cleared up entirely while there, and while it has bothered me a little since my return, I think that is due solely to the sudden change in temperature. While the nights were cold in South Carolina, the days were deliciously warm, and I feel the difference. I only hope that when you return yourself, you will take every care because the change will seem all the greater to you owing to the fact that you have been farther away and longer away. I am continuing my sun-ray treatments upstairs and reveling in them. I feel younger than I have in years, in spite of the fact that I passed another milestone only last week.

We all miss you a lot at the bank, but everything seems to be going along most satisfactorily so far as our end of the game is concerned, and I hope you will not have us too much on your mind. As I have already stated, however, I feel that the situation in Washington is going to need some drastic treatment before many moons, and I don't know anyone who is going to initiate it more satisfactorily than you. It is a pity that you should already have so much of the System's constructive work on your back should also have to be the buffer against its destructive influences. I don't know anyone, though, who is better able to present the whole thing to Secretary Mellon than you are yourself, so here's hoping that you are able to put it on your docket for some early consideration.

With all sorts of good wishes to both you and Miss Bleecker, I am,

Sincerely yours,

Dictated but not read.

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

GLH.MM
encs.

FEDERAL RESERVE BANK
OF NEW YORK

SENT BY

[From Harrison Collection]

SEND TO FILES

COPY OF TELEGRAM

Feb. 10, 1925

Benj. Strong
The Breakers
Palm Beach, Florida

Thanks telegram. Consulted Miller just before my trip South.
He reported temporary condition result of cold. Nothing serious and much
better now.

Harrison

Mr. I think you know how much I appreciate it. The
only regret is that it means too that I must miss
being with all of you at the Bank. But I shall
finish my job as quickly as I can and start back
of course. I think my work to a few quick
graphic tasks I do not believe it will take me long.
I do feel, however, as I think it over that certainly
that from this field business comes my best con-
siderable stay over at least until the end of June
studying some of his time on the continent as well.

A contract providing for payment
as outlined.

I have had two wireless messages
from Gov. Norman, one that we
have reservations at the Savoy
and the other that they will
meet us today at Waterloo.
Monday is a bank holiday. I am
sorry to learn. We probably won't
be able to accomplish much by
way of a start until Tuesday.
But whatever I do I shall keep
you posted.

I can't tell you how glad I am
to be on this trip and to have
all the opportunities it will give

This is already much too long.
So much spare time on ship board
makes one forget the press of time
on others ashore. But I know
you will forgive me. My best to
everyone at the bank - and
do not work too hard!

Ever sincerely yours,
George Harrison.

P.S. Tell Mrs. Shurtleff I would give
much for an hour of her company
right now!

FEDERAL RESERVE BANK
OF

JUN 6 1925 10 22 AM

RECEIVED
GOVERNOR'S OFFICE



ON BOARD S.S. "MAJESTIC"

obligations arising from the purchase
of gold i.e. to pay in gold in U.S.
at the end of two years (if not before)
and to maintain a sterling balance
or bill account in the meantime.
I am so anxious to get your reaction
about this before I ~~discuss~~ ^{so much about} the
form of cake or other withdrawal
that I hope you may already
have wired or written me about it.
Whatever is done should be entirely
honest and entirely consistent
with the fact that we are
selling gold under the terms of

had tried his profession until fifteen
years ago.

There are several others on board
whom I know but apart from
some friends or friends five souls
we have the most awful looking
lot of humanity. I have even
seen outside a New York subway.
It surely is discouraging.

Claire and I have done but
little work thus far. I wired you
about the form of our statement
suspecting all possible transactions
under the credit. I meant to talk
with you about that before I left
New York for I had discussed it

fully in Washington with Congressmen who seemed a bit
worried about it in view of some inquiries that had
already been made of him. I shall be most interested
to hear what, if anything, is done about it. I assume
our part of the credit used must be clearly reflected
and identified in the weekly statement. The public
interest in the whole transaction seems to make that
essential. That being so, anything we cannot pay will
suffer if in an item "all other resources" and/or
"the freight in the open market" where an foreign balance

and sterling bills are now included. Then too our sterling deposit resulting from the sale of gold is not really comparable to other sterling deposits - since it is so restricted as to possible use.

Indeed both the sterling deposit and bills bought, while legally our assets I suppose, are in substance only an evidence of part of the B. of E.'s obligation arising under the terms of our contract. That being so, it strikes me, we would be justified in making a new entry "gold sold abroad" or some such phrase which would be all inclusive of the B. of E.'s two different



ON BOARD S.S. "MAJESTIC"

have discussed nearly everything in the world but the credit. There was no conscious effort to avoid that - we touched upon it long enough to have him express the immense admiration he has for the way you and Norman handled it and then passed along. I found we had a great talk in common when I once mentioned that I had always been an ambition of mine to run a boys school! I never knew that

for him - gym four times a day,
an electric bath each evening, and
a diet of spinach and lemon!
Every time I begin to think how
bored is the life of a bachelor
smelling like this confronts me
to bid me pause! But he
seems to revel in it all and I
would feel miserable if I
inadvertently pictured any doubts!
They certainly are fine and I
mention all this diet business
only because it has been a
source of considerable by-play.
Mr. Pracok has been great. We

Harrison
India
May 29th



ON BOARD S.S. "MAJESTIC"

Dear Mr. Stone:

Our trip is about over
but not complete until I scribble
off a brief report to date. The
weather one way or another has been
poor; too hot, too cold, too damp,
too windy - too something nearly
all the way over. The ship's log
reports a "rough sea" or "very rough
sea" every day but one. And yet
with all this it has been a good
trip for this ship is so immense
that the sea bothers it but little.

and there are plenty of places to
hide from the weather. I have
had a miserable cold all the way
over and have coughed day and
night but otherwise I never felt
better and have had my fair
meals a day quite regularly.
Poor Crane on the other hand left
the dining room last Saturday
not to return until last night
when the sight of land gave him
courage. But he has been
quite happy in bed, so he says,
lots of sleep and a good rest.
I have seen the dogs now from

time to time, also Harriet, and last night we all
had a fine well dinner together. They all seemed to send
you their best. Mrs. Logan particularly wanted me to
send you a good roast but I told her the they left
of all Logan of a dinner party with only a
plate full of springs and beans. There was a
form of cruelty for which it would be hard to
punish her. I made a bad beginning when first we
sailed by mentioning the 20 francs I have left. She
immediately presented a stiff course of reasoning

Copy of Longhand Letter

Friday, May 29th [1925]

ON BOARD S. S. "MAJESTIC."

Dear Mr. Strong:

Our trip is about over but not complete until I scribble off a brief report to date. The weather one way or another has been poor; too hot, too cold, too damp, too windy -- too something nearly all the way over. The ship's log reports a "rough sea" or "very rough sea" every day but one. And yet with all this it has been a good trip for this ship is so immense that the sea bothers it but little, and there are plenty of places to hide from the weather. I have had a miserable cold all the way over and have coughed day and night but otherwise I never felt better and have had my five meals a day quite regularly. Poor Crane on the other hand left the dining room last Saturday not to return until last night when the sight of land gave him courage. But he has been quite happy in bed, so he says, lots of sleep and a good rest!

I have seen the Logans from time to time, also Peacock, and last night we all had a farewell dinner together. They all asked to send you their best. Mrs. Logan particularly wanted me to send you a good report, but I told her the thought of Col. Logan at a dinner party with only a plate full of spinach and half a lemon was a form of cruelty for which it would be hard to forgive her. I made a bad beginning, when first we sailed, by mentioning the 20 pounds I have lost. She immediately prescribed a stiff course of training for him -- gym four times a day, an electric bath each evening, and a diet of spinach and lemon! Every time I begin to think how lonely is the life of a bachelor something like this confronts me to bid me pause! But he seems to revel in it all, and I would fail miserably if I inadvertently pictured any regrets!! They certainly are fine, and I mention all this diet business only because it has been a source of considerable by-play. Mr. Peacock has been great. We have discussed nearly everything in the world but the credit! There was no conscious effort to avoid that -- we touched upon it long enough to have him express the immense admiration he has for the way you and Norman handled it and then passed along. I found we had a great hobby in common when I once mentioned that it had always been an ambition of mine to run a boys school! I never knew that had been his profession until fifteen years ago.

There are several others on hand whom I know, but apart from some twenty or twenty-five souls we have the most awful looking lot of humanity I have ever seen outside a New York subway. It surely is discouraging.

Crane and I have done but little work thus far. I wired you about the form of our statement respecting any possible transactions under the credit, I meant to talk with you about that before I left New York for I had discussed it briefly in Washington with Crissinger who seemed a bit worried about it in view of some inquiries that had already been made of him. I shall be most interested to hear what, if anything, is done about it. I assume any part of the credit used must be clearly reflected and identifiable in the weekly statement. The public interest in the whole transaction seems to make that essential. That being so, we cannot very well smother it in an item "all other resources" and/or "bills bought in the open market" where all foreign balances and sterling bills are now included. Then, too, any sterling

deposit resulting from the sale of gold is not really comparable to other sterling deposits -- since it is so restricted as to possible use. Indeed, both the sterling deposit and bills bought, while legally our assets I suppose, are in substance only an evidence of part of the B[ank] of E[ngland's] obligation arising under the terms of our contract. That being so, it strikes me, we would be justified in making a new entry "gold sold abroad" or some such phrase which would be all inclusive of the B. of E.'s two different obligations arising from the purchase of gold, i.e., to pay in gold in N. Y. at the end of two years (if not before) and to maintain a sterling balance or bill account in the meantime. I am so anxious to get your reaction about this before I do much about the form of cable or other withdrawal that I hope you may already have wired or written me about it. Whatever is done should be entirely frank and entirely consistent with the fact that we are selling gold under the terms of a contract providing for payment as outlined.

I have had two wireless messages from Gov. Norman, one that we have reservations at the Savoy and the other that they will meet us today at Waterloo. Monday is a bank holiday, I am sorry to learn. We probably won't be able to accomplish much by way of a start until Tuesday. But whatever I do, I shall keep you posted.

I can't tell you how glad I am to be on this trip and to have all the opportunities it will give me. I think you know how much I appreciate it. My only regret is that it means, too, that I must miss being with all of you at the Bank. But I shall finish my job as quickly as I can and start back at once. If I limit my work to a few quite specific tasks, I do not believe it will take me long. I do feel, however, as I think it over that entirely apart from this gold business Crane might very profitably stay over, at least until the end of June, spending some of his time on the Continent as well.

This is already much too long. So much spare time on shipboard makes one forget the press of time on others ashore. But I know you will forgive me. My best to everyone at the Bank -- and do not work too hard!

Ever sincerely yours,

(Signed) GEORGE HARRISON

P. S. Tell Mrs. Shurtleff I would give much for an hour of her lamp right now!

FEDERAL RESERVE BANK
OF NEW YORK

July 10, 1925.

My dear Governor:

I have been most remiss in not having written to you sooner. The truth of the matter is that in an effort to clean up all of the accumulation of routine matters concerning my various departments, as well as to prepare the way for a little peaceful concentration on the job you have given me, I have not had much time to bother you.

Gilbart is away on a very much needed vacation. He has worked hard and continuously for sometime and without a fair share of his proper recreation. But advisable as this is, it has resulted in my spending a little more time the past ten days with my men and the workings of my departments than I would otherwise have had to do.

My program, however, is pretty clear. I have about cleaned up all that I wanted to get back of me, and plan next week definitely to devote most of my time to what, for the lack of a better name, we may call the Inquiry. Mr. Jay has been away, and you know Mr. Case is also on his vacation; so that it really was not feasible to begin this job before now. In my next letter, however, I hope to begin a definite report of progress.

In the meantime there are a few other matters to which I might refer:

(1) The form of the Board's weekly statement. Your cable was received and transmitted to Governor Crissinger. He plans to be away until July 14 or 15. I talked with him on the telephone, however, just before he left and he told me that nothing would be done until his return. The present plan is for me to go to Washington to talk over the whole question with Smead and the Board. The one suggestion which you made to change the item "Bank balances at interest" to

"Due from Foreign banks at interest," is one which Smead and I had already made.

I think it is most advisable, and I understand that Governor Crissinger is entirely favorable to it. There are one or two other minor changes which Smead and I talked over which may be helpful, but I shall write you about them after I have had an opportunity to talk with Governor Crissinger about them.

(2) Our gold payment policy. Mr. Dewey told me last week, when I happened to see him, that Boston has now commenced requisitioning the Treasury for large amounts of gold certificates in order to commence substantial gold payments. He indicated that other banks would also follow suit. If, therefore, we are to pursue our present policy of maintaining the certificate circulation at about its present figure, it will be necessary for this bank to make a very substantial reduction in the amount of its payments. That will in turn result in larger payments of our Federal reserve notes and increased printing costs. I discussed the matter briefly with the directors yesterday in anticipation of my visit to Washington next week, and they all agreed that our present object of maintaining the circulation at its present level is important and that we should pursue it even though it means increased payments of Federal reserve notes by this bank. I am a little out of patience, however, with Boston and the other banks that are now to commence gold payments when we least need them. For three years, with the exception of Chicago during the past year, we have been the only bank to pay out gold. All the others have refused to cooperate in spite of requests both by us and the Treasury Department. Indeed, they failed even to pay out as much gold as they received, thus making it that much more difficult for us to accomplish our purpose. And now when we are not trying to increase the circulation, but merely endeavoring to maintain it at its present level, the others commence payments - and I presume for no reason at all other than a belated recognition of the amount that may be saved by doing so. This may be a most unfair assumption, but the day is hot and muggy and I am a bit cross anyway. I am enclosing a copy of my letter to Winston concerning this and other matters.

Governor Strong

July 10, 1925

(3) I am enclosing the agenda of the Currency Conference which is to meet in Washington next week, and to which I made some reference in my letter to Mr. Winston. You may remember that we originally planned to have Gilbart go to this meeting, but inasmuch as he is away on his vacation and there are a number of matters in which I am particularly interested, I plan to go myself instead of calling Gilbart back.

(4) Gold payments for export. I am sending you for ready reference in case you have need of it, a recapitulation of our large gold payments for export purposes through July 3. You will notice that the total payments during June amount to only \$6,110,627 - very considerably less than in the five previous months. Our unofficial record of imports for the same month, however, was only \$949,000. The Department of Commerce figures for the whole country are not yet available. Our only exports during July have been a little over \$1,000,000 to Mexico, and our imports thus far this month amount to only \$214,000. In this connection, while it seems that the flow of gold has at least temporarily slackened in each direction, Dewey tells me that Winston is rather inclined, without having given it any careful study, to pay out larger quantities of gold certificates in anticipation of possible heavy imports later on. Dewey himself agreed with you and me that even if there are large imports, we should not try to offset them by more gold payments, but rather keep our circulation at about the present figure. This in part explains my letter to Winston, to which I have already referred. I believe he has just forgotten the earlier conversation that we had on this subject and that he will play along with us when I have a chance to talk it over with him.

(5) Recharter. The day before yesterday, Mr. Jay told me about the plan they have been discussing to have the American Bankers Association recommend a recharter without amendments, and yesterday I read his letter to you dated June 29 on the same subject. I told him substantially what you yourself said in your cable No. 79, which arrived ^{by before} yesterday, that is, I, too, feel that the

ian is excellent, provided they are right in their assumption that the question of recharter is bound to arise this fall in any event. Apparently, from all that I hear, there is not very much doubt about it, and if so, I believe that "the riderless recharter" is about the best slogan for defense that we could make. Mr. Jay is probably writing you himself concerning this and I, therefore, mention it only incidentally. Mr. Jay, Mr. Young, Burgess and myself went over your cable yesterday afternoon, and as the element of "time" appears to be about the only thing concerning which there is any difference in any of our views, that was really the only feature we discussed in detail. Mr. Young is very much impressed with the view that now is the best time to tackle the recharter. He bases his conclusion in this regard on the fact that the coming Congress is likely to be the most conservative and most favorable Congress that we will have in any time before our present charter expires. With farm prices such as they are now and business quite generally contented, the conservatives and Coolidge in particular are much in favor, and it is difficult to answer the argument that he made. In any event, it seems to me that there is nothing to be lost by devoting the next couple of months to a preparation of a report based upon the new slogan rather than trying to propose a suitable list of amendments.

(6) Consolidated statements of borrowers. You may remember that at the Conference of Governors last November, an amendment to the Board's regulations was recommended and subsequently made effective by the Board, concerning consolidated statements. In short, the regulation requires that in any case where a borrower had subsidiary or affiliated corporations, consolidated statements will not be a sufficient basis of determining eligibility unless they are accompanied by a separate statement of each of the affiliated companies, or unless the statement itself represents a separate statement of the particular borrower. While the banks and most of the borrowing concerns in our district appear not only to understand the regulation, but are most helpful in cooperating with its enforce-

ment, there seems to be some general misunderstanding in other Federal reserve districts of just what it signifies. Minneapolis raised some question about the Washburn-Crosby statement, for instance, feeling that perhaps the consolidated statement in that case is all right because all the affiliated corporations are owned 100 per cent. by the parent company, and because none of the affiliated companies borrows in the market. Mr. Mitchell was in my office last week and we talked it over with him in some detail, and I think he not only got our point of view about the matter, but also expressed himself as entirely in accord with it.

The Armour case came to a head when McDougal telephoned rather critically to us that we had turned down Armour & Company paper in this district while they are taking it in Chicago. As a matter of fact, the only statement that we have been able to obtain from Armour & Company is a consolidated statement of the parent company and twelve of its fifty-nine subsidiaries. Nevertheless, in spite of this fact, we have taken every piece of Armour paper the first time it has been offered by any of our member banks since May 1, the effective date of the new regulation, but we have done so with the request that that paper be not offered again unless a separate statement of the borrowing company was provided. Only one of our banks has submitted the paper the second time (the Park Bank), and immediately withdrew it when we reminded them of our original conversation. But McDougal apparently has heard of this and has felt rather indignant that we are "turning down" paper that Chicago is taking. When I discussed the matter on the telephone with him, he admitted that the only statement that he has contains assets and liabilities of some of the subsidiaries but that in his opinion, in view of the circumstances of that particular case, the statement was satisfactory and the paper eligible, and that he felt we should follow his judgment in the matter. I told him that our action in the past, which incidentally had been discussed in some detail in correspondence between Mr. Morris and Mr. Childs of Chicago, was not at all a question of judgment, but merely a question of fact regarding the new

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regulation. To make a long story short, I told him that if he could tell me that he had a separate statement of the borrower, as the regulations required, and that a study of that statement showed the paper to be both eligible and desirable, we would take it in this district at least until we received a copy of the statement for study. He told me that he would be glad to wire me to that effect at once as he was convinced that they had a statement which complied with the regulations. I immediately telegraphed Mr. McDougal confirming our conversation, and enclose herewith not only a copy of that telegram but also a copy of his reply of to-day, which indicates fairly clearly that when the matter was put up to him squarely, he regulation realized that he lacks the statement required by the ^{regulation} A and is now endeavoring to get it.

Morris feels that he will not be able to get a satisfactory separate statement, for we have heard rather indirectly but confidentially that one of the men trying to sell Armour paper in this district indicated to one of our member banks that a separate statement by the borrowing parent company, exclusive of assets and liabilities of the twelve subsidiaries, would show a reduction of some \$12,000,000 in the assets side of the statement and no corresponding reduction in the other side.

On thinking over my talk with Governor McDougal, I rather feel that he himself had not gone into the thing as thoroughly as he might have and that our telegram put/it up to him as squarely as we had, prompted a consideration which resulted, in a measure, in agreement with us. But this is only one instance, and I think something must be done quickly to promote some better and more uniform understanding of the new regulation on the part of the reserve banks.

I can think of nothing else at the moment to write you. This is already too long, but I thought that you might be interested in getting a few side lights. Everything at the bank seems to be going along in first-rate shape. On Monday, July 6, we cleared over 298,000 checks at the Clearing House - more than 100,000

July 10, 1925.

over our previous highest day. On the same day we had about 375,000 checks in our transit department, and with it all things are going along very smoothly.

In fact, better than they have any previous summer. The training class works like a charm, and is a pretty good offset not only to vacations, but what would be a normal let-down due to the oppressive weather. It is still hot and the humidity is high. I was glad to hear that you have started to Berlin, chiefly because it means a quick approach to your much needed vacation, which I hope that you enjoy and profit by. I would like to be over there with you! Please give my warm personal regards to Governor Norman and to all the rest of your party if they are with you. Most of all take care of yourself, and don't worry about us. I shall never write you about anything except our troubles. Anything else would take entirely too much space! So you can always be sure you know the worst.

Affectionately yours,

George Harron

Mr. Benj. Strong,
c/o Bank of England,
Threadneedle Street,
London, England.

GLH.MM

Encs.

S
FEDERAL RESERVE BANK

OF NEW YORK

July 21, 1925.

Dear Governor Strong:

I was in Washington the better part of last week at a meeting of the ~~with~~ Currency Committee, ~~with~~ representatives of the Treasury and the Federal Reserve Board. While I begrudged the time that this trip necessitated my being away from the bank, I believe the meeting was most successful so far as it related to questions of currency distribution and payment. I made some reference in my last letter to you to some slight confusion incident to our gold payment policy, but Mr. Winston, who addressed the conference, fully supported our present policy, and while favoring gold payments by other Federal reserve banks, expressed himself as being definitely in favor of maintaining the present certificate circulation at about a billion dollars. This will mean, of course, that as other Federals commence gold payments it will be necessary for this bank and possibly the Federal Reserve Bank of Chicago to reduce the amount of their payments proportionately. Other than the question of expense involved, I see no objection to our cooperating to this extent. Indeed, there is some advantage in having payments a little more general among all twelve reserve banks rather than limited as at present to Chicago and New York.

I had a long session with Smead and Goldenweiser concerning the form of statement, and on the strength of your cable No. 80, which approved the recommendations contained in the memorandum signed by Smead and Stewart, we have prepared a form of statement which will read as per the enclosed copy. We decided, however, not to recommend a change at once, since we thought it

might be well for you and Dr. Stewart to look over the enclosed draft before it is made effective. There is only one matter to which I want to refer specifically, and I do this in order that there may be no question or future misunderstanding.

It is this: If, as Governor Norman suggests, and as we all seem to think advisable, we make a public or newspaper announcement whenever the credit is drawn upon, stating specifically the amount so drawn, then the following weekly statement ^{all} will reflect the amount of gold bought by an increase in either or both of the following items:

"Bills bought in open market"

or "All other earning assets:
Foreign"

or All other resources

By a simple process of deduction, knowing the total amount of the credit used, and picturing the increase in the item "All other earning assets: Foreign", it will be readily known just how much of the gold sold is represented by sterling bills bought in London. I mention this not because we have any objection to that fact, but because Governor Norman was a little hesitant to have our statement show it. I see no way of avoiding this difficulty other than by lumping all of our foreign assets, which you know is impossible on account of the requirement that we also show in the statement the maturity of all bills bought. Of course, time, if even only a few days, will necessarily elapse between the announcement of any use of the credit and the publication of the weekly statement, and furthermore, if the item "All other earning assets: Foreign", which will include foreign loans on gold, should become sizeable, or fluctuating for other reasons, it would not be so simple by the process of subtraction, which I have suggested, to find out how much we have invested in sterling bills. But there is the possibility of the present proposal giving a fairly accurate means of determining the amount of bills so bought, and I want to be sure that you understand that fact, even though I do not see how it can be avoided, all things considered.

Governor Strong

July 21, 1925.

In view of the advisability of changing the form of statement as soon as it is possible and as far in advance of any use of the credit as is possible, I wonder if you will please cable me "O.K." when you receive this letter, so that we can make our recommendation to the Board and perhaps adopt the amended statement at once.

I hope your vacation is giving you a real rest and that you are not worrying too much about what is going on here. The past week has been a little cooler, and while we have all been fairly busy owing to the absence of a number of us on vacations, we have nothing to growl about. I shall write you again by the Saturday boat, with particular reference to the Inquiry matter. Mr. Jay, I understand, is going away about the first of August, and we want to get the whole thing on a fairly satisfactory working basis before then. As he has probably told you, Mr. Peple of Richmond is now at the bank working with him and Burgess on certain publicity matters, but I am not certain just what their exact program is.

With very warm personal regards both to yourself and Governor Norman, I am, always,

Sincerely yours,

George D. Harrison

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

GLH.MM
Enc.

FEDERAL RESERVE BANK
OF NEW YORK

July 31, 1925.

My dear Governor:

While it is getting near closing time for this mail, Burgess, who is the news gatherer for you, asked me to write you a note regarding the enclosed draft of letter to the Federal Reserve Board, concerning the Board's letter X-4377, dated July 10, 1925, which is also enclosed.

When the Board's letter first arrived, it was the inclination of the officers to let it slide just as we have overlooked other letters encroaching upon the directors authority in order that we might wait for some vital question to make our issue. In considering this new Board ruling, however, Mr. Young said that he thought we could not properly accept the Board's position. All of the other directors present agreed with Mr. Young.

We have not yet had a meeting of the board with a quorum present to consider this draft and as Mr. Jay and I both feel that it is important to wait until then before dispatching it, we are holding it up for the present. Very likely it will not be until sometime in September that we have a quorum. In any event, it will not be until after we have had an opportunity to receive your views. If, therefore, you have any suggestions to make, please let us have them.

I understand that Burgess is sending you with his pile of stuff, a copy of a memorandum that I prepared relative to the conversation I had with Mr. Merla of the Mexican Congress. It speaks for itself. I would like to add, however, that Merla came to us with a note of introduction from Winston and a request that we do all that we properly could to give Merla information

Governor Strong

July 31, 1925.

regarding the Federal Reserve System. He has been all through the Bank with Persons, and has been introduced to the heads of some of the departments, with instructions to the departments, of course, not to let him have any detailed or confidential information, but rather just to hit the high spots. He was most grateful and seemed satisfied. The subject matter of my memorandum is a subsequent question that came up after he had been through the bank. While some of the men in the bank did not like him very much, he seemed rather a decent fellow, a graduate of Columbia, and pretty keen, but withal, he impressed you as being essentially the politician.

Hurriedly, but sincerely,



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

GLH.MM

Enc.

FEDERAL RESERVE BANK

OF NEW YORK

August 6, 1925.

My dear Governor:

I have just returned from another trip to Washington where I have had a three-day session with Dewey and other members of the Treasury Department, and also with Governor Crissinger, about various matters that have come up.

My chief purpose in seeing Mr. Dewey was to discuss with him more concretely than has been possible in the past the whole question of making arrangements whereby the Federal reserve banks might act as redemption agents of United States currency, technically as well as in fact as is the present case. At the present time we are required to accept deposits, make exchanges, and also make redemptions of United States currency. All redemptions or any unfit deposits are charged to the Treasurer's account, but credit is not finally passed by the Treasurer until receipt and verification of the currency in Washington. This is bad, both from the point of view of the Treasury and the Federal reserve bank. The Treasury loses interest during the period of transit and also has all the additional expense of a second handling of the currency in Washington. While it is true that we are reimbursed for postage covering the shipments of mutilated currency, nevertheless I believe that our own expense in handling would be considerably less if we were permitted to make the final count and destruction at the Reserve bank rather than in Washington. Certainly, from the point of view of the Treasurer and the Reserve banks together, there is no answer to the argument of economy.

Confidentially, the Treasury Department is also considering reducing the size of the currency from the present size to a bill about the size of the Philippine bill; that is, 6" x 2 1/2". This change in the size would be made applicable to all denominations and all kinds of currency now in circulation. Because of the narrow width of the proposed bill it is doubtful whether it will be possible any

longer for the Reserve banks to cut mutilated bills in half before shipment to Washington. If that is so it will be necessary to insure all such shipments for full value and all of the saving that might be effected by the reduction in size (which the Treasurer estimated would be over \$1,000,000 a year in paper alone) would be more than offset by the cost of insurance.

If the programme to reduce the size of all currency is to be made effective, the necessity of authorizing the Reserve banks to destroy the currency becomes obvious if only on account of the insurance question. The chief difficulty that I see with the programme is the provision of the law which requires that the Federal reserve agent shall send unfit Federal reserve notes to the Comptroller of the Currency for destruction. Whether it will be necessary to change the law or perhaps to have technical delivery made to some representative of the Comptroller on the premises of each Reserve bank, is a matter that will have to be studied, but the point which I have emphasized with Mr. Dewey is that unless it is possible for the Reserve banks to destroy unfit Federal reserve notes on the premises of the respective banks, the programme to reduce the size of the note would result in a most exorbitant insurance charge on the Federal reserve banks because of the fact that it would no longer be possible to ship mutilated currency in two lots as at present.

One other question we have been discussing in the programme is to permit all Federal reserve banks to act as custodians of unissued United States currency, a very important step to make so far as the Treasury itself is concerned since that currency becomes outstanding at the present time as soon as it leaves Washington and does not become retired as an obligation of the Government until it is returned to Washington. The currency float is consequently very large when you consider the amount in transit to and from all Reserve banks. I understand that the solicitor of the Treasury Department has already rendered an opinion that it is entirely legal and proper for the Treasury under the Subtreasury Act, to appoint us custodians of unissued currency.

All these matters I discussed in some detail with Dewey, Broughton and Hand, and they have now prepared a programme outlining each question in some detail and indicating those points that must be decided as a matter of law and those points that must be decided as a matter of policy. Dewey is much interested and, being quite persistent, I rather feel that something will be decided one way or another. At any rate we have done our job in expressing our views with regard to the savings in expense and the ease and facility in operation that would result from an adoption of the various proposals in question. If it is decided later to approve the programme regarding currency it will then be proper to consider the whole question of having the Reserve banks destroy paid coupons and bonds of the Government. The shipment of matured bonds and coupons, as well as exchange bonds from the Reserve banks to Washington amounts to an immense item each year and seems entirely unnecessary as a matter of practice although the law now makes it imperative. It would be my thought that nothing should be done to amend the law in this regard until after we might have tried out the redemption and destruction of currency by the Reserve banks.

One other thing before I stop. Press dispatches seem to indicate that Schacht may soon begin withdrawing gold from this country. Your cable, which was received this morning, indicates that we may expect some imports of gold from London. In any event it is likely that we will receive gold shipments from London before any use of the gold credit. While it is a matter of little importance to us I am wondering whether you have discussed with Governor Norman and Schacht during your informal conferences the feasibility of shunting gold from London to Berlin and having the bookkeeping done in New York rather than having shipments coming from London to New York and then back again to Berlin. It may well be that the transactions will not be sufficiently near in size or time to make a programme such as this feasible, but it might be interesting to talk it over most informally as long as you are over there.

Mr. Jay left Saturday, the 1st, for Murray Bay and, as you know, Mr. Case returned Monday, the 3rd. Everything seems very quiet here and as I know you are receiving current reports from Burgess regarding the ordinary operations of the bank there is no occasion for me to bother you with them in any detail.

The inquiry business is going along rather slowly, but we are having someone at work on almost everything. I am still waiting, however, to get any further suggestions that you may have to make since receiving the outline which I sent you some time ago. The inadvertent omission of page 5 from the original outline may well have perturbed you, and I mention your comments now, not with any impatience in view of my own delay in getting the programme to you, but rather with the hope that you will not forget to let me have whatever may occur to you.

Your letters keep us all interested and somewhat on our toes, although we are distressed to know that your trip so far has been so strenuous as to tire you out, as you say it has. I only hope, however, that you are getting some rest and relaxation now and that Governor Norman too is beginning to benefit by a little vacation. I have rather smiled to myself ever since I first heard of the proposal of you two to take a "vacation" together. It doesn't seem possible!

We all miss you and hope you are not worrying about things on this side.

With kindest regards to your whole party, I am,

Most sincerely yours,

G. L. Harrison

Aug 9. 25

(dictated but not read)

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

GLH/RAH

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 14, 1925

TO _____
FROM Mr. HarrisonSUBJECT: SALARY INCREASES RECOMMENDED AT
DIRECTORS' MEETING ON JULY 30, 1925.

On August 4, when I was at the Treasury in Washington, I presented to Governor Crissinger our letter of August 3 transmitting the recommendation of our directors to increase the salary of seven different employes in amounts aggregating \$1,320. I explained in some detail the facts referred to more briefly in the letter itself. There is no need to review them here. I did, however, emphasize the importance in the mind of the directors of gradually raising at least to \$3,000 per annum the salary of those employes such as paying tellers and men in the cash custody and vault division, who have direct contact with or control over the cash of the bank. I also handed to Governor Crissinger a separate memorandum showing the amount by which the salary liability of the bank had been reduced since January 1, 1925, about \$288,000. Governor Crissinger expressed himself as being considerably interested and apparently favorable. He said that he would take it up at the meeting of the directors on Wednesday, August 5.

At noon Wednesday I called upon Governor Crissinger about other matters and he told me then that action on the salary recommendation had been postponed until the next day, August 6, when each of the four members of the Board present might have an opportunity to read over the recommendations of our directors.

I returned to New York Wednesday night, and inasmuch as we had heard no further report from the Federal Reserve Board by Tuesday, August 11, I telephoned to Governor Crissinger and told him that we were anxious to learn of the action of the Board in order to prepare our payrolls for the 15th. He told me then that the Board had not yet acted upon our recommendation but that "two members of the executive committee have voted against it" and that, therefore, he was a little skeptical of the chances of successfully passing the recommendation at the Board meeting on

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 14, 1925

To _____

SUBJECT: _____

From _____

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Wednesday, August 12, when it would come up for action. I reiterated the importance of the matter from our standpoint and the interest of the directors in these particular salaries. He said that he would do all that he could but that he rather felt there was not much chance in the circumstances of getting favorable board action. At one o'clock on Thursday, August 13, not having heard anything further from the Board, I telephoned again to Governor Crissinger to ask what action had been taken. The telephone connection was not very good and at first I had some difficulty in hearing him, but after some questioning and some repetition and a gradual clearing up of the telephone line I am able to report the substance of the conversation as follows:

Governor Crissinger said that the Board had finally approved the recommendation, although not unanimously; that they had done so only with the understanding that he should advise our directors of the feeling of the Board that the directors themselves had been most remiss in having allowed to exist the situation which the proposed increases were designed to correct; that he, Governor Crissinger, wanted to impress upon me how mild everything that he said over the telephone was as contrasted with what was actually said by the Board at its meeting concerning our directors and their remissness in not having taken action earlier; that he could not impress upon me sufficiently how vigorously some of the members of the Board blamed our directors for not having raised these salaries last year. He also explained that while he did not feel quite so strongly as other members of the Board, he nevertheless sympathized with much that had been said, and then reiterated that it was only with the understanding that he write a letter of "censure" (I am fairly certain, though not positive, that the word "censure" was used) to our directors that the Board, by a split vote, approved the recommendation. He then said, and

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this seemed most inconsistent to me, that the recommendation of the directors would not have been approved at all had it not been that, by a strange coincidence, the Little Rock Branch of the Federal Reserve Bank of Kansas City had just sent in a recommendation of a salary of \$2,800 for a teller at that branch. The Board, contrasting that salary with the salaries paid to our tellers, he said, were prompted to pass our recommendation but only with a severe criticism of the way our directors were running things.

At first I had little opportunity to say anything. Governor Crissinger seemed considerably worked up over the whole matter. I finally had an opportunity, however, to tell him that perhaps the Reserve Board, in taking this action, had not had an opportunity to consider the salary record of the employes under question, that as a matter of fact, while I had not the figures before me, each one of the paying tellers (and it was only the paying tellers to whom he had made any express reference in the conversation) had received an increase last January of between \$200 and \$250; that the directors had recommended the present increase with the clean-cut statement in the letter of transmittal that they anticipated making further increases the first of January next with a view ultimately to raising the salary of all of the tellers, cash custody and vault custody men at least to \$3,000. Governor Crissinger then stated that the Board's criticism of the directors laid in the fact that the directors had not raised these salaries the full amount last January instead of doing it in the way we now propose. I said that I presumed it was only because past experience had led us all to believe that there would not have been much chance of getting the Federal Reserve Board's approval last January of an increase for the whole amount which the directors now contemplated doing in three different steps,

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To _____

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of younger employes with low salaries to have a definite plan of gradual increase rather than to make too big a percentage increase at one time. Governor Crissinger intimated that the Board disagreed and that it would have been better to have raised the full amount last year.

In short, while I was advised by Governor Crissinger on Tuesday, August 4, that two out of four members of the Board who were on the executive committee had voted against the increases, and that while even when Board action was finally taken approving the recommendation it was not unanimous, nevertheless those three out of four members that finally voted for the approval did so only on the ground that our directors be criticized for not having corrected the situation at one stroke last year rather than attempting to do so by gradual increases last January, at the present time, and next January, as proposed. Furthermore, what seemed another inconsistency, was the fact that Governor Crissinger stated that had it not been for the coincidence of the Little Rock salary it was very probable that the Board would not have approved our recommendation at all. The vote to criticize our directors for allowing such low salaries to continue in the case of such responsible employes came only after two out of the four men present had previously voted against the increases as members of the executive committee and indeed when at least one member of the Board voted against the increases in any event.

I told Governor Crissinger that in my opinion the record of increases already made for the employes in question, taken together with the proposal in our letter of August 4 to make further increases next January as well as at the present time, showed a quite consistent programme to adjust the salaries in question to the responsibility of the work performed, and that I thought that our directors might

FEDERAL RESERVE BANK
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letter. To this Governor Crissinger replied substantially as follows: "I wouldn't do that. I wouldn't attempt to make any answer. Just let it go," the inference and tone clearly being that nothing the directors might say would help the situation in the minds of the Board who had ordered the criticism.

While I was very much provoked and exasperated during the whole conversation, not so much at what was said as at the evident desire of Governor Crissinger to impress upon me how indignant the Board is at the way our directors have allowed such responsible work to be handled by men on such low salaries, nevertheless, I am quite certain that Governor Crissinger had no idea of my temper of mind. I think I maintained a perfectly courteous, consistent and logical position throughout. There is no evidence that he thought otherwise. In concluding I thanked him for having given me the information in advance and told him I would report it all to our directors.

But before allowing me to conclude the conversation he referred to another matter; that is, my letter of August 10, concerning the revised form of weekly statement of condition of all Federal reserve banks. He said that the Board had also considered this matter at the same meeting, that they had decided to make no change whatsoever at the present time and not to consider it further until there should be a full meeting of the Board. I asked him when that might be and he said it would not be until October. I then reminded him of what he himself had said in a meeting which he, Dr. Stewart, Smead, Governor Strong and I had had in New York, that he thought it might be advisable if any change were made in the statement to make it as soon as possible and as much before the use of the Bank of England credit as might be feasible. He said he remembered that and also called attention to the fact that he himself had asked Mr. Smead and me to prepare the revised form of statement which I sent in my letter of August 10. He added, however, that there was no use bringing

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OF NEW YORK

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the matter up again at this time, that the Board was determined to do nothing until the full number of members were present.

FEDERAL RESERVE BANK
OF NEW YORK

August 14, 1925.

My dear Governor:

When I last wrote you and referred to my Washington trip of August 3, 4, and 5, I forgot to say anything about my discussion with Governor Crissinger concerning a few salary increases which our directors had proposed for three of the paying tellers and four other men in the bank. In view of what has since transpired I am enclosing a copy of the letter of August 3 which we wrote to the Board transmitting the recommendation of the directors on this subject. It speaks for itself. All of the recommendations in this letter have been approved, but because of the developments incident to it I am also enclosing a rather hurried memorandum which I have made of a telephone conversation which I had only yesterday, (immediately preceding the directors' meeting) concerning these particular salary increases. The letter from the Reserve Board to which Governor Crissinger referred in his telephone conversation has not yet been received, so that it is difficult to tell how far the Board has gone as a matter of record in criticising our directors in the way in which Governor Crissinger stated they had voted as a condition of the approval of the salaries.

The whole affair would be funny, were it not so pathetic, and only illustrates how utterly inconsistent and illogical the Board is when it comes to dealing with anything that concerns this bank. I am convinced in my own mind that certain members of the Board in their antagonism against us have just been looking for an opportunity to blow off steam, and through some strange psychological reaction, instead of voting against the salary increases as Governor Crissinger first intimated that they probably would do, they approved them merely for the sake of giving themselves an opportunity for criticising our directors for not having taken the action earlier!

Incidentally, you may be interested to know that all of the men concerned received regular annual increases for the last three years, and the three paying tellers,

whose salaries seemed to be the basis of the Board's resentment, received \$200 and \$250 increases only last January.

Until we have seen the letter from the Board, however, it is difficult even to suggest what if any further steps our directors should take. Mr. Saunders and Mr. Runkle were the only members present at the meeting yesterday when I reported my telephone conversation with Governor Crissinger, and they were both more amused than anything else, in fact somewhat delighted because it made a record which would logically preclude the Reserve Board from declining to approve any salary recommendations which the directors may make next January. The fallacy of that argument, however, lies in the fact that the Board cannot be expected to be any more logical at that time than it is now!

I am to-day revising my memorandum of the conversation with Governor Crissinger so it may be slightly changed upon the draft which I am enclosing. However, because of your interest in it I am particularly anxious that it shall go off in the mail to-night in order to catch to-morrow morning's boat.

You will also be interested in the latter part of the memorandum referring to Governor Crissinger's remarks about the new form of weekly statement. There apparently is considerable pique about this also. Indeed there is a disposition on the part of the Board to be ugly about anything that concerns us.

I forgot to mention that I believe only four members of the Board were present at the meeting at which these various flare-ups took place. They were, I understand, Crissinger, Hamlin, Miller and James.

The preparation of data for the so-called inquiry is progressing, though slowly. Burgess, Rounds and Gilbart are my lieutenants and are farming out various matters to different parts of the organization for investigation or report as the case might be. I am beginning to feel for the first time that we are getting somewhere, although the results are not yet very tangible. I have been anxiously awaiting to receive some comments from you concerning the outline which I sent you last month. I

know how busy you have been and how diverted with other more serious matters, but if

You get a chance to let me have your views I shall welcome them.

To-day is scorching hot and the humidity high, but every time I complain I am only reminded of the fact that it is not nearly ~~as~~^{as} bad as it was in June when I was away, so I get no comfort from anyone else.

Everything is going along quietly and smoothly. As you will notice from some of the officers council minutes we have started negotiations rather informally with Governor Crissinger concerning the procedure to be followed when the Federal examiners come for an examination. In my last conversation with the Governor he suggested that he, Herson and I have a talk about it as soon as Herson might be available in order to map out a programme that would satisfy us and at the same time be workable from the point of view of the examiners. I think this can be done but feel very strongly that it must be done with the amicable cooperation of Crissinger and even Herson.

My very best to all of you.

Most sincerely yours,

George Harrison

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

GLH/RAH
encs.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 27, 1925. 192

FILES

FROM George L. Harrison

SUBJECT: Employment of

Colonel Hiram I. Bearss

After finishing a conversation about not reporting to the State Department the loan made by this bank to the Bank of Poland, Mr. Eddy of the Federal Reserve Board, talking to me over the telephone, ^{this morning,} referred to a conversation which he had had by telephone with Mr. Sailer yesterday concerning the employment of Colonel Bearss, and in amplifying his statement to Mr. Sailer, explained that it was Governor Crissinger who was particularly interested in this matter. He said that Governor Crissinger wanted to know particularly whether Colonel Bearss had come to us for employment or whether we had sought him out, that he questioned a tendency on the part of the Federal reserve banks to employ ex-Army and Marine officers. I told him that Colonel Bearss had not come to us for employment, that we had decided that it was necessary for us to reorganize our protective system, that we had no one available in the bank with the requisite experience, that we had interviewed no less than 35 candidates, that one of these possible candidates was an Army officer whom General Summerall had referred to us and whom we felt did not possess all of the qualifications which we needed for this particular job, that we heard of Colonel Bearss only in interviewing a reference given to us by another applicant, and that we had ourselves requested that Colonel Bearss come to us for an interview in the event that he might be interested in possible employment with us. I added that Colonel Bearss was outstanding among all the candidates whom we had interviewed and that he possessed a combination of experience, character and ability which seemed particularly to qualify him for the work which the directors had in mind. I said that in the circumstances we considered the salary of \$4,000, which our directors recommended, as very modest.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 27, 1925

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To FILESSUBJECT: Employment ofFROM George L. Harrison

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Colonel Hiram I. Bearss

Mr. Eddy then said - "Oh! there is no trouble at all about the salary.

That is all right, particularly if Minneapolis is entitled to pay an ex-

Army General \$5,000 to take charge of their protection men. The only

question at all was the question of our employing ex-military men who, in

the opinion of Governor Crissinger, might not have the necessary other

qualifications for a job of this kind." I then told Mr. Eddy that in my

opinion the qualifications of the candidate were a matter which it was

primarily our duty to determine, particularly in view of the fact that we

had an opportunity to interview the candidate and to study his qualifica-

tions, and that the only real question for the Board was the approval of

the salary which had been fixed by our directors. Mr. Eddy rather intimated

that he was inclined to agree with me in that position, and stated that he

would have a talk with Governor Crissinger and tell him what I had said

about Colonel Bearss, and telephone me again later on during the day to

say whether it would be necessary, in view of what I had told him, to write

the letter which he had yesterday requested Mr. Sailer to send for Governor

Crissinger's information.

P. S. I telephoned Mr. Eddy at 4:30 this afternoon to ask him whether he had an opportunity to talk with Governor Crissinger about the above matter and whether, therefore, he could tell us whether or not we should send a further letter about Colonel Bearss and his qualifications. He told me that he had talked to Governor Crissinger about our conversation and that Governor Crissinger was entirely satisfied with the explanation I had given him on the telephone, and that he therefore had written a memorandum to the Board

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 27, 1925 192

TO FILES

SUBJECT Employment of

FROM George L. Harrison

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Colonel Hiram I. Bearss

requesting the approval of the salary recommended by our directors for Colonel Bearss. He said that he thought there was no doubt that the matter would be approved and that we would hear nothing further about it.

He mentioned incidentally that in talking to Governor Crissinger he had told him that I was interested in this matter of the employment of Colonel Bearss not only from the point of view of this bank but from the point of view of the System as a whole. I asked him what he meant by that statement and he said that he had understood me to say on the telephone in the morning that I thought it was necessary not only for us to get some such man as Colonel Bearss to take care of our protection force, but that it might be wise for all of the other Reserve banks to do so too. I told him that he must be thinking of some conversation with some one else since I had made no reference whatever to any of the other Reserve banks, that our interest was only in perfecting our own protection system, and that while what he said might be true with regard to other Reserve banks, I knew nothing about it and I did not feel in any way qualified to suggest what other Reserve banks should or should not do in this regard. In any event, I insisted that I had made no reference whatsoever to the other Reserve banks for I did not even have them in mind when I was talking to him in the morning. He then admitted that perhaps he was thinking of some other conversation, but mentioned that even so no harm was done and that Governor Crissinger had said he was going to suggest for the program for the next Governors Conference the whole question of the organization of the protection force in each of the reserve banks.

*Money Machines
Patent*

FEDERAL RESERVE BANK
OF NEW YORK

C. L. H.
M
← C
61st Dr
X 640

August 28, 1925.

Dear Mr. Strong:

I have before me your letter of August 11 regarding the possible adaptation of our money counting machines to the needs of the Bank of England. You say that they are considering using them in connection with the printing of the currency notes and have asked whether it would be possible for the inventor to send the mechanical drawing of the machine in order to permit of their determining its adaptability to their purposes.

Lard, the inventor, was in my office this morning. I told him of the problem, and while he is, of course, most sympathetic, he feels that at the present time all of his force and efforts must be devoted to the contract which he has with the Federal reserve banks. In fact, he explained that even now his organization is not quite adequate for that purpose alone. He says quite frankly that the drawings of the machine would not be of any substantial help to the Bank of England in determining the question they have in mind. He seems, however, to be quite certain that the machine will take care of notes of the size of the present currency notes and could readily be made adaptable to a different size note in the event that when the Bank of England takes over the currency issue it should decide to make a note of a different size. We have made a study of this in connection with our own particular problem for, as I think I told you, the Treasury is very seriously contemplating reducing the size of our present currency to 6 x 2 1/2 inches. While such a bill would be 5/8 of an inch narrower than our present bill, the machine, even as built now, will handle the reduced size just as effectively as the present size. We have already experimented to verify that fact.

Governor Strong

August 28, 1925.

Finally, before leaving my office, Lard said that as soon as he has his manufacturing program established to the point where he can dispose of his present contracts, he will be glad himself to go to London with a sample machine to demonstrate it there if they should be interested in it at that time. He feels that he cannot afford to go just now, particularly in view of the fact that it would be impossible for him to undertake any new commitments until after he had disposed of the pending contracts.

You may be interested to know that some of our counters are now registering over 24,000 notes a day on the machines, as contrasted with 10,000 or 11,000 notes by hand.

I have had two or three interviews with Mr. Gilpin of the Clearing House, relative to the reduction in the amount of our assessment for our limited membership. The Officers Council, you may remember, just before you left for Europe, authorized me to settle on the basis of \$10,000. I very frankly presented all the facts to Mr. Gilpin, told him that it was impossible to measure in dollars the relative benefits to the Clearing House and to us because of our membership, and suggested that some arbitrary figure might be the most satisfactory way of disposing of the question. I mentioned that some of the officers felt that a complimentary membership might be desirable, but that most of us did not favor that; that some of the officers felt that \$5,000 per annum was a proper figure, while others of us felt that even \$10,000 represented a very substantial reduction from our average payments over the past few years. To make a long story short, they themselves finally proposed a flat fee of \$7,500 per year, with an informal understanding, on which I had insisted in each of my talks with Mr. Gilpin, that we might bring the matter up again at a later date if conditions justify it. In the past we have made semi-annual payments of the amount of our assessment, so that we have already paid through October of this year. Our next payment will be in November at the new rate. On the whole, we are much satisfied with the way the matter has been settled.

You may be interested to know that after numerous interviews with various applicants, our directors have finally approved the recommendation of the Officers Council to employ Colonel Hiram I. Bearss to take charge of our protection force, with a view not only to reorganizing the force itself, but to reviewing and possibly revamping our whole system of protection. I think it needs it badly, and Bearss is certainly far superior to any of the men who have been referred to us. Sailer fell upon him merely by chance, and he seems to be excellent in every regard. His war record was exceptional and in my own talks with him I was much impressed with his personality and general make-up. With all, he has a good sense of humor and that may be helpful! We recommended the salary of \$4,000 a year, and the Reserve Board held us up pending some inquiries by Mr. Eddy, which are covered quite fully in a memorandum which I have dictated for the files, a copy of which I am enclosing. It may interest you particularly in view of other discussions which we have had on the question of the Board's power to control our directors' right to make appointments. It is quite amusing the way Eddy fell into my trap about the question of the salary; - as the memorandum shows, he stated flatly that the Board held up the approval not because the salary was out of line, but because they questioned the qualifications of the man. While I have not yet received formal advice of the Board's approval, I understand from Mr. Eddy that there will be no longer any question about it, so that we will be able to take Colonel Bearss on the first of September. It is possible that this has already been reported to you through Mr. Sailer, but I thought you might be interested in the memorandum of my talks with Eddy.

The collection of data for the possible inquiry is progressing slowly, but I think it has finally begun to reach a fairly tangible stage. Burgess is away, but Roberts, Gilbart and Rounds are all working for me quite vigorously. They are a good crew, and I am not as depressed about it as I was sometime ago when, because of vacations and the necessity of some trips to Washington, I was up to my neck in the every day bank work. Indeed, I have not been able to give

nearly as much time to the job you have left me as I had hoped, but I feel that it is going along pretty well and that we will have it in shape well before it will be necessary for us to use it, even if not before you get back. I had hoped to get some suggestions or criticisms from you on the basis of the memorandum that I sent you sometime ago, but I know how busy you have been. I hope, however that even now if you have any thoughts that occur to you that you will send them along.

Mr. Case has just come in to show me his letter to you dated August 26. Paragraph 6 of that letter relates to the \$10,000,000 credit to the Bank Polski, and refers to an article in the Journal of Commerce which strongly suggests that some one at the Reserve Board published the fact of the loan. You may be interested in some subsequent developments, represented generally by the enclosed Dow Jones clipping which came out on the ticker early this afternoon, at almost the precise time that Sailer was telling another representative of Dow Jones over the telephone that we had nothing to say one way or another on the reports about this credit. Mr. Case strongly suspects - and I agree with him - that this Dow Jones statement was obtained from the Polish Legation, a fact which he is now trying to confirm over the telephone; but since it had previously appeared in an article in the Journal of Commerce, which Mr. Case has already sent you, it is natural enough that they no longer feel it necessary to keep it secret. The whole thing, in my opinion, can be traced back to the Reserve Board and Willis or his representative. The last two paragraphs in the Journal of Commerce article make this pretty clear. Mr. Case is now giving to the newspaper men the enclosed statement which Mr. McGarrah has approved of. We cannot any longer deny any knowledge of the thing!

Paragraph 6a of Mr. Case's letter of August 26 refers to a memorandum of remarks made by Mr. Cliwic concerning Mr. Mellon and assurances which he is alleged to have given to a member of the Belgian Debt Commission about our readiness to extend a credit to the National Bank of Belgium. You may be interested in the enclosed letter dated August 27 which has just come from Mr. Winston Churchill on this matter.

August 28, 1925

I think there is no other news not covered in Mr. Case's letter of the 26th. Some of this duplicates what he wrote you then only because I had dictated most of it before he showed me his earlier letter. The rest is intended to be supplementary.

We all keep pretty busy but well. Kenzel goes away next week on his vacation, but Jay returns about the same time, so that the bank is still pretty well covered. The Reserve Board is still sufficiently contrary to keep us all interested and amused when not too mad to overlook the funny side of it all.

It certainly will be good to see you back again. My only hope is that you are not overworking yourself on that side. Please try to get a real rest before you come back. You deserve it, and I am wondering whether your so-called vacations have not been so only in name.

Always, sincerely yours,

George Harrison

This must b in the mail
at 5:30 so I have not time
enough to read it myself.
I hope you have!

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

Encs.

REPUBLIQUE FRANCAISE.

TELEGRAMME

POSTES ET TELEGRAPHES

Instructions de service.

M. BENJAMIN STRONG GRAND HOTEL GRASSE

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Federal Reserve Bank of St. Louis

ARRIVING WITH GALANTIÈRE CANNES TOMORROW WEDNESDAY MORNING ELEVENTYVEN'
SILL BE DELIGHTED TO SEE YOU AGAIN, - HARRISSON