

FEDERAL RESERVE BANK
OF NEW YORK

TELEGRAM

PRIVATE WIRE-INCOMING

Harrison
WIRE TRANSFER
DIVISION

108BD BO WASHINGTON DC 1255P APR 21 1926

GOVERNOR STRONG.

RETURNING NEW YORK THIS AFTERNOON. NO NEED FOR ANY CHANGE
IN YOUR PLANS.

HARRISON 101P

FEDERAL RESERVE BANK
OF NEW YORK

Blackett

OFFICE CORRESPONDENCE

DATE Jan. 21, 1926 1926To Governor Strong

SUBJECT: _____

FROM George L. Harrison

I have again read your letter to Mr. Blackett, in view of the discussion which we had, and I think it is a very fair presentation of the picture of things as they are and not unduly discouraging for some gradual accomplishments at sometime in the future. I have, however, made a few very minor suggestions on the last page.

att.

G.L.H.

OFFICE CORRESPONDENCE

DATE April 23, 1926 1926To Governor Strong

SUBJECT: _____

FROM George L. Harrison

I am handing you a complete galley proof of your statement before the House Committee on Banking and Currency. This proof, as you know, is a transcript of the record as corrected by yourself, but without the additions, corrections or modifications which you have delegated to me or some of the rest of us in the bank.

In order to expedite printing of the galley proof, I returned it to Mr. Thompson, clerk of the committee, without any of the corrections which the rest of us plan to make.

In view of the fact that you may very likely care to cable back some suggestions, amplifications, corrections, eliminations or checks, we might now agree upon a method of cross reference. I suggest that reference be made (1) to page numbers, (2) to "part" number, ¹⁻⁵ each part introduced by the words "Mr. Strong" indicating that it is your statement, (3) to paragraph or sentence or both under each "part." For instance: if you have a suggestion regarding the statement marked on page 17, you might cable as follows: "Amplify (check or eliminate) page 17 part 5 paragraph 2."

If the suggestion or correction is on the top of a page in a paragraph continued from a preceding page, please indicate as though it were actually on the preceding page.

There is no other way in which you could refer to the appropriate "part".

GLH.MM

att.

FEDERAL RESERVE BANK
OF NEW YORK

April 30, 1926.

Dear Mr. Strong:

I understand that Dr. Burgess is to-day writing you his usual report on what has been going on at the bank. I shall not, therefore, attempt to cover what I know he will give you. There are one or two things, however, about which I want to chat with you.

(1) I got your cable saying that the latter part of the record of the hearings reached you safely, and not having heard anything further from you regarding it, I am assuming that you have no very substantial further suggestions to make. We are having the whole thing carefully checked at the bank, the insertions are being prepared, and while we have plenty of time to do the thing carefully, I am hopeful of sending it back to Washington sometime next week.

(2) Miller was called again one day this week and had an opportunity to tell the committee that he thought our rate reduction "a bit premature." Crissinger had already told me that when Miller returned to Washington after our rate reduction he advised the Board that he would have voted against it had he been there. I have been reading much of his testimony, and while there are numerous individual statements with which we could properly take issue, I think his whole record might be summarized in the generalization that he has tried to build up in the minds of the committee an idea of the importance and influence of the Federal Reserve Board in contrast to the power and influence of the individual Reserve banks. For instance, he has stated that practically all rate changes in the past have resulted from the study and suggestion of the Reserve Board, the Board having a much broader perspective than the individual Reserve banks. He has also made many statements -

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some subtle and others more blatant - indicating that he, more than any one else in the System, studies the statistics and charts and records that are made available to the Board, with a view to building a foundation on which his judgment and decisions about rate policies and open market operations, ^{and that he} is apt to be guided by a more traditional knowledge of these matters than is possible to others in the System "who do not use the paraphernalia available as much as he does." He has really made no specific charges and no detailed statements that could properly start a fight, but, as I mentioned before, he has rather cleverly made an opportunity to make the committee see the power and influence and the effectiveness of the Federal Reserve Board. In some ways this may be fortunate, particularly if it will in any way allay the fears of the more radical members of Congress who might think that the System is being run by Wall Street. I do not think, however, that his testimony will in any way offset the influence which you yourself had with the majority of the committee in showing this bank's true relation to the whole System.

I am planning as soon as we finish with the record of the testimony to go through Miller's statements very much more carefully with a view to recapitulating those matters concerning which you may want to make some supplementary statements when you appear before the committee on your return. In the meantime, I think there is nothing for you to worry about.

(3) In this connection, the Stable Money Association is having a dinner at the Astor on Monday night, May 3, at which Congressman Strong, Governor Harding and Mr. Miller are all to make speeches. It was originally planned to have McFadden also, but I understand that he has had to back out. We have arranged to get a table so that some of us might be present to see what is going on. The dinner is announced as a dinner to discuss Congressman Strong's bill and the relation of the Federal Reserve System to stability. In the circumstances, I think it is not in any way harmful for us to show our interest by taking a table. This is particularly true in view of the fact that both Governor Harding and Mr. Miller are to

make speeches. I have reached Congressman Strong on the telephone and have arranged to meet him for breakfast on Monday morning and to bring him to the bank to spend the day with us. I understand that his wife is coming with him, but am not sure whether she wants to explore the bank with him. He seemed most appreciative of our interest in calling him up and arranging to take him in for the day.

(4) In connection with the Washington hearing, I am enclosing copies of Professor Fisher's and Mr. Lombard's letters in reply to yours to Professor Fisher under date of April 19. I am also sending a copy of a letter that I have written to Mr. Lombard. They are all self-explanatory.

(5) On Monday our executive committee approved of our recommendation to continue with the Czechoslovak National Bank all the relations which we have had with the Banking Office of the Ministry of Finance and formally to appoint the Czechoslovak National Bank as our agent in return for a similar appointment from them. The Board acted very promptly in approving our recommendations and we are now writing the necessary letters abroad. In this connection, I have taken particular pains to provide expressly that our so-called gold credit (\$10,500,000 against \$11,000,000 of gold deposited with the National Bank of Belgium) is terminable at any time at our option. While there was no specific agreement to that effect in the earlier negotiations, I think that it was fairly implied. At any rate, we have it definitely covered now.

(6) You may be interested in the movement of gold to Canada. We ~~had~~ had an import of some \$10,000,000 on April 1, but since the 15th of April we have shipped \$16,250,000, not to mention \$8,000,000 of gold certificates that have to-day been earmarked in the First National Bank for account of the Bank of Montreal. 5/32 premium is really the export point, although it is not very profitable under 6/32. It is down to 3/32 to-day and I understand from some of the local representatives of the Canadian banks that it is unlikely that any more gold will be shipped on this

movement. In this connection, I am having Crane make a special study to see whether it might not be possible by some process of earmarking to work out a plan whereby these frequent and relatively heavy shipments of gold back and forth between Canada and New York might be materially reduced. It is an uneconomical performance and one that at times substantially threatens our available supply of gold coin. Our experience demonstrates that they will take only coin and as a rule will ship us bars if it is possible to do so.

(7) Winston is in New York and plans to sail to-night on the Leviathan. You will undoubtedly see him before this reaches you and he himself will be able to tell you more than I can what is the present status about the designation of the Governor for the Federal Reserve Board. I telephoned to him early in the week suggesting that he speak to the Secretary about it to be sure that the right fellow is appointed. The more I have read of Miller's testimony the more it has appeared how transparent is his effort to push himself forward. I have had a real fear that unless watched, he might possibly have got the designation himself!

(8) Mr. Curtiss of Boston spent Wednesday at the bank primarily to discuss rates. He was anxious not only to learn the background which prompted our own decrease, but to ascertain particularly whether there is anything in the situation which would permit or justify a decrease by Boston. When he left here he stated that he saw no occasion or need for any action on their part and I presume that they will leave their rate as it is. We all told him that so far as we can see now there is no reason for their acting at this time. Indeed, I think it would be a mistake for the others to come down yet.

(9) Everything seems to run along quite smoothly at the bank, although we all miss you. Kenzel is in Charleston at a convention of the National Foreign Trade, but will be back Monday or Tuesday. I understand that Sailer lands probably on Monday. So that we will be effectively reenforced next week. Case plans to go off for a week the following week, but so far as I know there are no other plans on the horizon.

April 30, 1926.

I hope you have had a first-rate crossing, that you have really made an opportunity of it to get a good rest, and that you are feeling more like your old self again. Please be sure to give yourself a fair chance and take it as easy as you can, and above all, get away from London for your vacation as soon as possible. In the meantime, do not worry about us. We promise to keep you advised of everything that goes wrong! In the absence of any news, therefore, just assume that we are rocking along easily.

With the best of luck to you always,

Faithfully yours,

George L. Harrison

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

GLH.MM
Encs.

FEDERAL RESERVE BANK
OF NEW YORK

May 7, 1926.

Dear Mr. Strong:

Under separate cover I am sending to you copy of Mr. Miller's testimony before the House Banking and Currency Committee on April 20, 21, and 27.

(1) While I have not read the latter part of this testimony, which has just come, I do not think it covers the recommendations for amendments to the Federal Reserve Act, about which I cabled you in my #2 on May 3.

(2) As I advised you, Congressman Strong spent Monday, May 3, at the bank. I met him and Mrs. Strong at the Waldorf for breakfast at 8:30 and immediately brought him down town to look us over. He was really most impressed not only with the building, its simplicity and its businesslike appearance, but also with the immense amount of work carried on. As he said, it was an eye-opener to him. I kept him for lunch and then took him to the Stock Exchange, where Mr. Simmons did what was necessary to show him the ropes. On the whole, I think he had a most satisfactory day of it, preliminary to his dinner at the Stable Money League, which met that night, and at which he gave a short address.

(3) By way of elaboration of my cable, Congressman Strong seemed to think that the hearings are progressing entirely satisfactorily from his standpoint. In other words, he feels that there is no thought of introducing any sort of a bill before the next session, that the committee expects to continue its hearings more or less indefinitely until every one has had an opportunity to be heard, and that the committee will have to listen to perhaps representatives of labor, the farmers, and all sorts of other organizations which might be interested in price stabilization, although he seems sincerely regretful

that this must be so. But when all the hearings are over and all the evidence

in and all the arguments presented on both sides, he hopes to be able, with the suggestions that have been given, and with your help and the help of a few others, to draft a bill which will accomplish what he wants without running the risks which you fear in the present bill.

(4) He also seems to think that there are some members of the committee who are sympathetic to Miller's second proposal to put some further restrictive clause in the law relating to the speculative use of Federal reserve credit. I have not seen the record of that part of the testimony, so I am not certain what is the precise suggestion, but it must be only a statement of "a purpose" of some sort because the rest of Miller's testimony indicates that even he feels that it is impossible definitely to trace the ultimate use of Federal reserve credit. The point is, therefore, that as long as there are some members of the committee who think that there might be some profitable amendments to the Act, entirely apart from price stabilization, the committee should continue to hear everything about the Act and the operations of the System during the course of these hearings in order that it might introduce in the winter session a complete bill covering all amendments that might be essential or needed, and then after that to grant the indefinite charter.

(5) In spite of Congressman Strong's feelings in this regard, there is still a chance, I understand, that the indefinite charter may go through at this session as a rider to the first McFadden bill. The Senate is still discussing the bill periodically and I can not help but think that McFadden may at the last minute, in conference, agree to the indefinite charter if that is necessary, in order to procure the enactment of the act to which his name will be given.

(6) Gold is still moving to Canada, in spite of the fact that a week ago we thought it would slow down, Canadian exchange having eased off and our best information being to the effect that the movement was then over. Indeed, while \$6,000,000 has been exported since May 1, most of it has been with Canadian

exchange below the export point. I understand very confidentially from the Bank of Montreal people that the exports this week have been for account of the Canadian Government, admittedly at a slight loss rather than bid up the exchange above its present figure.

(7) At the request of the Reichsbank, we have finally made arrangements with the Treasury Department to ship us \$35,000,000 of uncirculated coin from Philadelphia at the expense of the Reichsbank, to be substituted in the Reichsbank's earmark account in lieu of circulated coin now held for them. This would seem to indicate fairly clearly that they contemplate withdrawing the \$45,000,000 now held in earmark for export to Germany. Otherwise, there would be no purpose in their paying \$93.75 per million dollars for a total of \$35,000,000 in order to make all of their gold holdings with us, new coin rather than circulated coin (\$10,000,000 of the \$45,000,000 which we hold for them is already new coin).

(8) Burgess returned to the bank to-day from his jaunt in Washington, where he appeared on three half days before the committee. Inasmuch, however, as he will no doubt write you himself about his trip, I will not duplicate.

(9) One interesting development during the hearing, however, has been the request of the committee in writing to the Federal Reserve Board for a memorandum on the legality of our repurchase agreement. Crissinger telephoned to me the night before last regarding the request, and has asked me to prepare a memorandum giving a complete story of the development of our repurchase agreement, and to take it to Washington myself sometime next week to go over ^{it} with him. Burgess indicates that the committee may want both him and me to reappear before the committee to discuss this feature of the repurchase agreements, although

I understand, that Wingo, who made the inquiry, does not himself believe that they are illegal. He merely wants to satisfy others who have questioned it.

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(10) Your hearings begin to-day according to your cable. Good luck to you! I wish that I could be there to see you in action. I can not do more than ask that you do as well as you did before our own Congressional Committee!

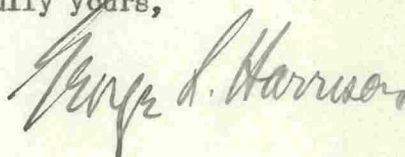
(11) I have had Rounds and Crane get out all our papers regarding the Bank of England credit, code words, statements, and all the data which might be necessary in the event of any possibility of the credit being used. There have been a few statements in the papers indicating that the Street thinks there might be some call on the credit, but sterling exchange seems to be holding fairly steady still. I hope that if there is any likelihood of the use of either our credit or the bankers' credit, that you will tip us off in advance. It might be helpful.

(12) Mr. Jay is in Chicago where he made an address before the Industrial Club yesterday, but will be back at the bank on Monday. Mr. Case leaves to-night to be absent through next week, - his belated winter vacation. Sailer is back at the bank on the crest of the wave. I have never seen him look better or in better spirits.

Everything is running along smoothly. We are all well and happy, but of course miss you immensely.

Please give my best to Governor Norman and the rest of you who are there.

Faithfully yours,



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

GLH.MM

FEDERAL RESERVE BANK
OF NEW YORK

May 18, 1926.

Dear Mr. Strong:

(1) As I told you in one of my cables, I went to Washington Wednesday afternoon (May 12) last week and spent the next day with Governor Crissinger on the subject of repurchase agreements, their purpose, scope and legality. We have all agreed now that the way to handle the problem is to write one memorandum covering all aspects, that memorandum to be inserted in your testimony as originally agreed and to be an elaboration in some detail of the one which Mr. Kenzel prepared for you. I saw McFadden at the Capitol on Thursday. He said that he does not believe that any of the members of the committee any longer question the legality of our repurchase agreements. Wingo and Goldsborough had some doubt about it, but profess now to be satisfied. The committee's letter to the Board, however, must be answered if only as a matter of record; so as it expressly concerns the legality of the New York bank's procedure, Crissinger has agreed merely to transmit a copy of our memorandum to the committee as covering the whole matter.

(2) Owing to the fact that so many of the members of the House Committee are engaged in one way or another working on farm legislation at the present time, the committee has not had any hearings whatever since Burgess appeared. McFadden tells me, however, that he still plans to call each member of the Board "to see what they all know." Some of the newspapers have rumored the fact that Senator Reed of Pennsylvania is backing McFadden for Hamlin's job. It may be. But I wonder if McFadden's purpose in the hearings may not be more to embarrass some of the present members with questions which will evidence their ignorance or incompetence rather than to procure any helpful testimony. Heaven forbid that he

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should be appointed; but I doubt that he has any chance.

(3) The McFadden bill - H. R. 2 - passed the Senate the day I was in Washington. It includes the indefinite charter and lacks the Hull amendments. I came up on the train the following morning with Senator McLean and he told me that there was not only no debate, but no opposition concerning the indefinite charter. The vote in the Senate which eliminated the Hull amendments was 60 to 17, so that McLean feels that his conferees - Glass, Edge and himself - should stand out indefinitely for the bill as it passed the Senate. He says that they will persist in this attitude even if it delays final passage of the bill until next session. The House conferees are McFadden, Wingo and King, and while I am confident from all that I hear that McFadden will vote for anything that will get his bill through (he cares very little for what is in it), nevertheless an agreement must be reached by two-thirds of the conferees of each House. In the circumstances, it will be necessary to get either Wingo or King to vote with McFadden. King undoubtedly will insist on the Hull amendments, being from Illinois. That leaves Wingo, the only hope, as I see it. He has always been against branch banking and voted for the House bill only reluctantly. But even so, I should think he may yield because of his persistent desire to preserve the national banking system. And so it stands!

(4) You may be interested to know that Mr. Thompson, who is Clerk of the House Committee on Banking and Currency, told me, incidentally, that they understand that the present Senate bill was devised by Glass and Mellon and that some of the members are a little put out about it. He then added "it's^a funny thing the way Mellon has been able to win over so many of these Democrats." I was much interested but said nothing.

(5) I returned to the bank late Friday and having received your short cable that a long one was on the way, I waited for Winston's message to Secretary Mellon on the foreign situation. It was finally decoded just a little before midnight, so that I got it off in time to reach him on Saturday. A good part of what

was in the cable I had already heard confidentially from Leffingwell. It was a realization of the seriousness of the situation over there that prompted both Mellon and our Executive Committee to indicate (cable No. 5, May 10) that while they were opposed to our granting any loan before debt ratification, nevertheless they are glad you are there informally to consider plans that may be made if and when a satisfactory program is formulated. We all feel, I think, that in the case of France, a necessary incident to any such program is ratification of the debt settlement, but as Mellon said, you are at least in a position to talk about what you might be willing to do in the event that the debt is ratified and a comprehensive and satisfactory program set up.

(6) All the papers (from which I understand you are getting clippings) are referring to the French situation in some detail and to your presence there with Lamont. I take it, however, that there is nothing whatever that we can do until we get some sort of report from you. Your cable (No. 10) just received states you have nothing special to report now.

(7) The Polish situation is most acute at the moment and has raised some question as to precisely what our position is in regard to the Bank Polski. So far as we can gather now, some sort of effective government will be set up but, in any event, as I see it, there is no way we can take any greater precaution than we are already taking in our relations with the Bank Polski. Their \$10,000,000 gold credit for one year expires on August 25. It comprises a three months credit with three renewals which we are obligated to make. I had thought the original agreement made it possible for us in extreme circumstances to terminate the credit at the end of any quarter, but I find that that is not the case and the only thing to be considered by our directors on Thursday is the rate for the next and final quarter of the credit which begins May 25. The rate to date has been 4 1/2%, and although our discount rate has been reduced, I see no occasion whatever for

reducing our charge for this last quarter. Conceivably, we might increase it, but while conditions in Poland seem most unsatisfactory, I do not think we should do so, and the officers will likely recommend that our directors continue the 4 1/2% rate which has been in effect since the beginning of the credit. The loan is secured by gold deposited in the Bank of England. The real question will be whether we care to renew the credit when it expires in August. They will undoubtedly ask for it and I feel, as I think you do, that in principle there is little reason for our making gold loans which are in no way a part of any very definite or constructive program. There was some justification for this particular loan when negotiated, but if we had to consider it de novo we would not grant it with things as they are. I hope you may have a chance to consider this some time before August when the picture may be much clearer. But conditions seem now to be so muddled that it is impossible even to anticipate what it may be at that time.

(8) It has been a great satisfaction to all of us to know that the Indian plan has been so effectively killed. We are all delighted, and Winston's cable to Mellon confirms what we had all guessed, that you and the Professors did the trick! We are most anxious to hear all about it. I had previously advised both Mellon and Crissinger of your own cable, that you considered the plan satisfactorily disposed of, but I do not know whether any of the rest of the Board knows anything about it. The Wall Street News clipping which I cabled you, was not taken up by any other paper that I know BUT our own little blue newspaper review quoted it and before we realized that it was customary to send it to the Board, six copies had been mailed to Washington. So far as I know, it caused no comment one way or another. Perhaps that blue sheet is another one of the unused reports that we send to Washington!

(9) When with Crissinger on Thursday, we got hold of Herson and tentatively outlined a procedure for opening Reserve Bank examinations, which I think will be sufficiently satisfactory. Sailer and Rounds are now working on the details. Herson rather opposed the special letter from the Board at the time of each examin-

ation, but admitted that there was no very good ground for his objection other than it was "unusual", and that no other Reserve Bank had asked for it. I told him I thought we had had a number of good ideas in New York and that the failure of others to think of them first did not necessarily prove that they were not sound. Crissinger laughed and agreed upon the letter!

(10) Now about Case. Leffingwell reached me in Washington over the outside wire to read your cable on Thursday night, and realizing that Jay was leaving next morning for Atlantic City, I telephoned him the substance of it, particularly your suggestion about talking with Reyburn. He agreed with me that there was nothing that could be done over the week-end, in any event, and that we should talk it over on Monday when Jay returned. That we have now done and agreed in the circumstances that it would be unnecessary to call in Reyburn since Case already knew of the contingency to which you referred and was entirely familiar with all the substantial facts upon which he might base his own decision. Not being certain, however, whether you may have had some other reason, which I could not foresee, for having suggested the particular conference, I sent you a cable over the outside wire, a copy of which I am enclosing. Your reply of to-day through Leffingwell is quite clear and from what Jay says I am certain Case now has the whole picture before him. Case was away all last week, but he has had a number of talks with Jay and McGarrah, and yesterday a long talk with Leffingwell. He is anxious to talk with Owen Young, but as he is out of town until the end of this week, that will have to be delayed. My own feeling is that Case is strongly inclined to accept, but that he has delayed a final decision to get all possible points of view. Your cable (No. 9) to him yesterday afternoon indicates that you are writing him and he has said that before making a final decision he will wait until your letter reaches him. I told Jay that I thought it might be very difficult for you to advise one way or another without implying a guess on your part as to what might happen at the bank. I think Case realizes that difficulty too, but hopes to have an expression of your personal opinion about the proposed job itself.

May 18, 1926.

I think Gilbert has given him plenty of time and he now has before him all the facts (as far as it is possible to see them at this time) on which he may make his own decision. I have no doubt also that after talking to Young he may discuss it personally with other members of our board, and Jay feels, I think, that he (Jay) must at least acquaint the directors with Gilbert's offer.

(11) Everything is running along very smoothly here. We, of course, miss you as we always do, but there is nothing for you to worry about. My own biggest worry just now is the foreign situation with regard to which we shall necessarily be somewhat in the dark until we hear further from you. It certainly is fortunate that you are abroad at this time, although I hope that the situation on the Continent will not in any way delay or interrupt your needed vacation. That is your first and most important job, and I hope you go at it with a vengeance!

(12) I forgot to mention that all of the newspapers are commenting favorably on the fact that sterling crossed par on Saturday, and contrasting it with Continental exchanges which on the same day reached their lowest point. They are even worse to-day. I am sending Governor Norman some of the clippings, which I think might interest him. I assume that you are getting them direct from Miss Bleecker.

Goodby, take care of yourself, and the best from all of us at the bank.

Faithfully yours,



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

Enc.

FEDERAL RESERVE BANK
OF NEW YORK

PERSONAL

May 21, 1926.

My dear Governor:

I find that I have only a very few minutes in which to get off a letter in to-night's mail. I wrote you at length on the 18th for the Wednesday boat.

(1) This will merely supplement paragraph 7 of that letter concerning the Bank Polski. An article appeared in the Evening Sun of the 18th to the effect that the military forces had appropriated some 3,500,000 zlotys from the Bank Polski. While we have been unable to confirm the report in any particular, nevertheless it was sufficient to put us on notice that perhaps conditions in Warsaw were so serious as to jeopardize control of the bank in some way or another. That being so, we have felt that regardless of the letter of our contract, we might be on notice of facts which would not only justify but require us in the interest of both institutions not to make further advances which might be misappropriated by some illegal authority. In order to ascertain all possible facts related to the situation, I called Leland Harrison and asked him for the latest information on the status of the Government in Poland, I telegraphed the Bank of England asking for any information which they might have relative to the control of the bank's operations, and I have also had the State Department, without any reference whatever to us, cable their Minister in Warsaw to make very discreet inquiries as to whether there is any change in the status of the bank or its principal officers.

(2) Leland Harrison has told me that so far as the State Department is concerned, there is an effective legal government in Warsaw and that they have not been put on notice of any facts to indicate the necessity of considering

the question of recognizing any other sort of government. The Bank of England has replied that news from Poland is strictly censored and no trustworthy information available, although they have heard rumors of a change in the management of the Bank Polski. We have not yet received any information from the American Minister. Incidentally, I may mention that the cable to him was prepared here in the bank and transmitted in State Department code.

(3) At the meeting of our directors on Thursday we had a very long discussion of what should be our attitude (1) as to a renewal on the 25th when the present quarterly credit expires, and (2) as to what we should do about honoring mail and cable drafts on the bank's balance with us. As to the renewal, it was understood that we should have a full meeting of the board on Monday to take final action in the light of all the facts as we may have them then. In the meantime, we are watching the account closely, paying all mail drafts, and hoping that we will have no cable transfers to make! In a word, there are only two questions involved: (1) to comply strictly with the letter of our contract, assuming that the control of the bank is entirely legal; the only possibility of loss in that case is in honoring drafts or cable transfers properly attested when we are on notice that the bank might conceivably be in illegal hands. (2) To abrogate our contract on the theory that our contractee no longer exists; but in this case run the immense danger that might result from our failure to live up to our obligation merely because we fear some liability from honoring an ^{il}legal draft. I think all the officers and all the directors have these two positions clearly in mind and will certainly do nothing ^{without} ~~that~~ the clearest and most unequivocal evidence that the bank is in illegal hands. The papers to-night are much more encouraging and we have every reason to believe that the situation is improving. I am mentioning the matter only because our directors and officers have taken it so very seriously and because it may develop the wrong way. In that event, you would not understand my having failed to call it to your attention. As for myself, I would very much favor erring by complying with our contract than by breaking it.

(4) There is no news about the McFadden bill except that I have talked to McFadden two or three times on the telephone concerning the appointment of the House conferees. It appears that Wingo is at home on account of the illness of his father and that very likely he will not be back in time to serve as a conferee. In that event, the House would have to appoint a third member to represent it. McFadden himself is definitely determined to fight against instructions by the House, so that the conferees may be entirely free in conference. He himself will undoubtedly vote for the Senate bill if that action is necessary in order to procure its passage. McFadden also told me that he had received communications from bankers in Wingo's own district strongly urging that the conferees approve the Senate bill rather than the House bill. If that is true, Wingo may very likely be the one to yield on the Hull amendments and allow the bill to go through. There is relatively little talk about the indefinite charter. The main issue is the Hull amendments.

(5) Jay tells me that he has himself written you to-day concerning the status of Gilbert's offer to Case, and I am cabling you to-morrow morning to indicate that Case has himself taken the matter up with the directors informally. Jay tells me, however, that he has told you that whole story so that I shall not elaborate. I think there is no doubt that Case has the complete picture before him and that the responsibility is on him to make his own decision. I can understand his desire to await a letter from you before he finally makes up his mind, although I have intimated to him that it might be difficult for you to say anything whatever concerning the matter except what you may think of the merits of Sterrett's job. Inasmuch as he is expecting a letter from you in view of your cable No. 9, to him, I hope that you may have had a chance to dictate it after having seen Gilbert in Paris.

(6) Your long cable No. 12 which you transmitted through Morgan's, concerning the Continental situation, particularly the French situation, is a masterpiece. It arrived late yesterday afternoon and I sent it by hand to Mr. Mellon last night.

May 21, 1926

He got it early this morning and I have talked to him to-day on the telephone and cabled you (No. 8) the substance of what he said. The pictures looks very gloomy, ^(confirmation enclosed) but we all feel as you do that there is nothing whatever that we can do now in the absence of a definite program that appears to have some more prospect of success than anything that has as yet been advanced. The most discouraging feature of the whole situation seems to be the lack of leadership without which it is difficult to foresee any early settlement.

(7) Your friend Senator Owen this afternoon called with no object in view whatever except to find out what he could about your visit to Europe and what you and Governor Norman are planning. He got no news whatever from me. I think no more of him than you do!

(8) We are all very busy at the bank, but other than the Bank Polski, we have nothing very serious bothering us and there is nothing for you to concern ~~me~~ yourself about. I am only hopeful that the European situation will begin to straighten itself out so that we can really accomplish something in the way that I know you have always felt we should accomplish things. But all the officers and all the directors, Mr. Mellon, and as far as I know, everyone else, are agreed that there is nothing for us to do unless and until those fellows over there do something for themselves. I am sending you a clipping from to-night's Sun which may be of interest to you. I have not yet had a chance myself to read it in full, but I have already written so much that it is going to be a difficult for Miss McCarrick to get this off to-night, so I must stop.

But most important of all is it that you must take good care of yourself, get a good rest and come back with all your old pep and enthusiasm.

Affectionately yours,

George L. Harrison
me

(dictated but not read)

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

GLH.MM
Encs.

FEDERAL RESERVE BANK
OF NEW YORK

May 27, 1926.

Dear Mr. Strong:

(1) I am enclosing a copy of the John Steele article which appeared in the Chicago Tribune I think under date of May 14 (possibly under date of May 15). This article, to which I referred in my cable #10, explains pretty clearly that the Carroll article which appeared in the New York Evening Post under date of May 17 was in the nature of a rebuttal rather than in the nature of a charge. At least that is the way they might properly argue, although I agree with you that there may be something in the fact that Carroll was glad to take this matter up again in view of our action concerning his previous article. In any event, there has been so much discussion in all of the newspapers concerning your conferences abroad, and so many references to the meeting which you held in London and the possible subjects covered at that meeting, that it would be wholly futile at this time to attempt to single out any one reporter for correction. My own feeling is, and I am sure that Mr. Jay (and also Mr. Leffingwell) agrees, that we had better leave well enough alone and not attempt at this time to get into a controversy with the papers concerning their reports from abroad. They are their own best answers, since the reports have been so conflicting and so obviously based on rumor that there is little we could accomplish short of a press statement issued by the bank. That I think would be a mistake.

(2) For the moment the Bank Polski situation has cleared up. The American Minister finally cabled to the State Department on Sunday afternoon, May 23, that there was no truth in the reports that funds had been abstracted from the Bank Polski by the military forces, and unqualifiedly stated that there has been

no change in the personnel of the bank. The cable was a very satisfactory report upon conditions as they relate to the bank. It so happens that on Saturday afternoon, after the close of business and before the cable came back from the American Minister, we got an order to transfer approximately \$2,000,000 to Dillon, Read & Co. value of May 31. This had to be acted upon the first thing Monday morning, and at a special meeting of the executive committee, the officers recommended that we be permitted to renew the credit, the second renewal of which matured that day, and to advise Dillon, Read & Co. of the message from the Bank Polski. We felt that in view of the report of the American Minister we would be justified in taking that action. The directors suggested, however, that we take one more step, that is, cable the Bank Polski direct, not with a view to confirming the report of the American Minister, but merely to complete our record of precaution. This we did and late Tuesday night/^{got}a satisfactory reply cable, although it lacked a number and the proper test word. That was supplied later and a new cable requested us to make immediate payment to Dillon, Read & Co. rather than as of the 31st. This has been done and the whole matter now is on a normal basis with the understanding, of course, that we shall exercise every possible precaution in scrutinizing every transaction in the account. I also have an arrangement with the State Department that they are to keep me posted generally on conditions in Poland and more particularly as they may concern the Bank Polski.

(3) Mr. Jay tells me that he is writing to you personally concerning Mr. Alexander's report on the Advisory Council meeting in Washington on the 21st. As long as he has undertaken to cover that fully, I shall say nothing about it now.

(4) Your last cable advice was that you were to leave Rome last night, but as we have received no new cable address, I am not sending anything over the wire to-day.

(5) Yesterday I received at the Yale Club your cable of May 26 saying that you have written Case fully but that you were obliged to be rather non-committal

not knowing what advice he would receive from the directors. I had already indicated to him that I could not see how you could very well write otherwise, and I have to-day told him that a letter from you is on the way. I do not think he has as yet made up his mind one way or another what he shall do. I rather feel that he would like to have the experience and thrill of a job with the Transfer Committee. It would be an adventure in his life. But I feel also that he is naturally cautious as to the future, and, not being adequately independent, is a little hesitant to assume the risk of having to hunt for a job when his tour abroad might end. I think his decision will depend largely upon what he is able to read between the lines of your letter.

(6) I am off for Washington to-morrow morning for a couple of days, but will be back at the bank Tuesday morning (Monday is a holiday).

(7) Crissinger has not been at all well. In fact, he is under the constant care of a doctor and as a result has not been able to visit us at the bank as he has promised to do. There are a number of things I have to talk over with him, so shall do that to-morrow or next day when I am at the Treasury.

(8) Dewey was here last week and we commenced discussions for a program of handling gold at the Assay Office. I am to take that up with him in Washington. He is most interested and I think cooperative. We ought to be able to work out some sort of an arrangement which will enable us to control the gold market in New York in a monetary sense without interfering with the Assay Office's job as a manufacturer of gold bars. I do not see how this can be wholly successful, however, since it will have to involve an elimination or at least a reduction in the bar charge below the cost of manufacture. Even so, the Treasury would gain if we could encourage the use of bars in place of coin which is a much more expensive product to manufacture.

(9) This is all the news for the moment, and as I am anxious to put this in the mail to-night I shall close. I cannot tell you how vigorously I hope

May 27, 1926.

you are now beginning to get a real rest. Rome could not have been very helpful to you, and if the lack of a cable address at the moment means that you are really in seclusion some where - all the better. The important thing, however, is for you to make your rest long enough to obtain some real good from it.

(10) I miss you dreadfully but manage to rock along all right. Things at the bank generally seem to be in pretty good shape. We rather expect that the examiner will be here over Decoration Day, and while I think our procedure is geared up pretty well, the Board has just reached a foolish compromise on the question of the letter which we asked them to have the examiner present when he first appears to examine us!

Always faithfully yours,

Gen. Harrison

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

GLH.MM
Encs.

P.S. In reference to your cable #12 in re the franc, I have reported the substance only to our directors, that is, that there is nothing at all that we can do unless or until a compulsory and effective program is set up over there. I have also warned them to disregard newspaper rumors of your leaving. I am impatiently awaiting a letter from you about it all.

*see (4)
re France*

FEDERAL RESERVE BANK
OF NEW YORK

June 8, 1926

My dear Governor:

(1) I forgot when last I wrote you to enclose a copy of Congressman Strong's circular letter which he has apparently broadcast quite extensively. I am enclosing it now with a copy of my reply. Various persons who have received the circular letter have communicated with us one way or another to ask how they should reply, but we have rather consistently avoided indicating what they should or should not say. In the circumstances, I think that ^{it} would be impolitic to do so; although when our inquirers have made it possible, we have referred them to George Robert's article in the National City Bulletin for June, a copy of which Burgess has already sent you. It pretty well summarizes your testimony before the Committee.

Governor Seay, who got one of Congressman Strong's circular letters, has sent us a copy of his reply. It is long, somewhat tedious, and I think not very helpful, knowing as we do what is Congressman Strong's point of view.

On the whole, I think it is too bad that Mr. Strong has taken this means of procuring suggestions about a bill which is still technically in the hands of the committee. Indeed, the new proposal is so much more comprehensive and so much more far-reaching than the original one that I cannot but feel that he will only confuse his picture with a lot of haphazard or ill-considered replies from people all over the country.

In all the circumstances (that is, in view of the fact that the letter is a general circular letter, and particularly since you have already given your

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views most extensively before the committee), I felt justified in writing Congressman Strong as indicated in the enclosed letter. This is especially true in view of what he said when he was last in New York, that is, that he wanted to see you to get your help after the hearings had been completed and after all the other suggestions had been received, as stated in my cable No. 2.

(2) The Supreme Court yesterday denied the writ of certiorari in the Pascagoula case, so that is ended now quite finally. While it is, of course, a victory for the Reserve banks, I cannot but regret the fact that the issue has not been disposed of once and for all by the Supreme Court rather than by a lower court.

(3) As some of the others are no doubt writing you, the Treasury late yesterday announced that there will be no new issue of certificates on June 15. In consequence, all the Government securities are very strong to-day. The advance estimates as to the amount of the likely issue had varied a great deal, but I think no one anticipated that there would be no issue at all. It was quite a surprise to the Street.

(4) The newspapers continue to discuss various reports of a possible French loan in this country, varying in amounts as high as \$500,000,000. Most of the articles refer to Paris dispatches which indicate that efforts are still being made or conversations still in progress looking toward some sort of a credit. They emphasized this morning, however, the recent published decision of the Bank of France not to use its own gold and quoted Peret as saying that the American Government will not permit a French loan in New York until the question of the debt is settled. But this is somewhat qualified by to-day's papers which also discuss the alleged statement of Secretary Kellogg to the effect that the French Government has made no official inquiry as to what would be the State Department's attitude on another French loan in this country, and that until the question is asked specifically, this Government cannot signify what its attitude would be. In this connection, Leffingwell told me yesterday afternoon that a loan by them

June 8, 1926

to the Bank of France is not in the wind just now. When I talked to him last week this seemed a possibility, but I presume the decision of the Bank of France respecting the use of its gold might well settle the question of their approaching Morgan at the present moment, although it is true that Morgan did not contemplate asking that gold actually be hypothecated.

(5) The conferees on the McFadden bill adjourned last week in what seemed to be hopeless disagreement without setting any date for reconvening, but this morning the papers indicate that they are having another meeting to-day, so that perhaps something has happened over the week-end to make an agreement possible. I cannot understand what it is because Wingo seems to have committed himself quite definitely against the bill unless it includes the Hull amendments. I shall cable you if anything definite eventualizes.

This is all the news there is at the moment, but I shall write you my regular letter on Friday.

Faithfully yours,



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

Encs.

FEDERAL RESERVE BANK
OF NEW YORK

June 11, 1926.

My dear Governor:

I wrote you three days ago under date of June 8 and have very little of moment to tell you now.

(1) By way of supplementing my last letter, however, you may be interested in the attached letter Mr. Redfield has sent to Congressman Strong.

(2) Nothing further has happened regarding the McFadden bill. The meeting which they were supposed to have had on Tuesday did not eventualize and there is no indication now as to what are their plans. The press, however, seems to regard the outlook as fairly hopeless for this session.

(3) Yesterday morning I had another long talk with Leffingwell concerning the French situation. He told me again that the Bank of France had not renewed their request for a loan, and while I think he was surprised at this and somewhat impatient over the failure of the Bank of France to make some progress, nevertheless, as he expressed it, they were selfishly just as glad they had not asked for the loan. I think he personally believes that the bank is a little weak-kneed about it all, especially as he indicated they would not ask for the hypothecation of the gold. I told him I presumed the bank itself might properly hesitate about a loan until the Government or the Government's committee had progressed a little further with their own program. But he seemed to think they might well have asked for the loan for a period of six months regardless of the fact that a complete and comprehensive program has not as yet been formulated. I told him that you had indicated in your cable of June 9 that such a

credit is desirable "only as part of a more comprehensive plan not yet developed." He was interested in that point of view, but I am not certain that he wholly agreed with it.

Yesterday afternoon after my talk with Leffingwell, he sent me a copy of your cable of June 10 to Lamont in which you indicate that the pressure of events is undoubtedly bring^{ing} the situation nearer to a solution. I hope so. But it seems to me from all that you have written that they cannot expect a satisfactory solution unless or until they find some one leader who has more imagination and courage than any that has yet appeared to be available.

Leffingwell also told me quite confidentially that they are again renewing discussions about Belgium, although quite sketchily. I am wondering myself whether any one of the three countries, possibly excepting Italy, can now handle the matter entirely independently of the others.

(4) Your letter of May 23 from Rome supplementing your letter of May 15 on the subject of France was received only yesterday morning. It is a most fascinating story that you tell and has interested us all. I think you handled a very delicate job with great tact, although in the circumstances I wish it had been possible for you to have avoided entirely any meeting with Peret. At the directors meeting yesterday, I gave them a summary of your story, not only because of their interest in the situation itself, but more particularly to let them visualize the difficulties which you have had in keeping out of the thing politically. I felt it wise to handle the matter that way as the most effective method of explaining various newspaper stories that have gone about ever since you and Winston landed there. I had already told them of your cable ^{in which} ~~and that~~ you warned us not to take seriously newspaper reports about your doings abroad. I am wondering, however, what the Federal Reserve Board might possibly be thinking. Normally, I would discuss it all with Crissinger, but he has been sick for the

past ten days and will not be back in Washington until early next week. I may possibly go down there soon after he returns in order to make a chance to let him know how little there is in some of the newspaper stories that are going about. They are so grotesque, however, and so varied that I do not think the Board can be taking them too seriously. Winston is supposed to land to-day and I shall try to have a chat with him on this subject. He may have some helpful ideas.

(5) Case cabled you yesterday of his decision not to accept Gilbert's offer. He cabled Gilbert at the same time. Your letter to him from Rome came the day before yesterday and he was much pleased. At first I think that his whole inclination was to take the job. But so many people discouraged him as to the prospect after he might return from abroad that he lost heart a little and then drifted along pending the receipt of your letter which was very happily done. In any event, he seems much pleased now that he has made his decision to stay.

(6) Your cable No. 22 saying that you have not received my No. 12 has greatly perturbed me, not so much because of its contents as because of the uncertainty it indicates of all our cables to you. As I wrote you sometime ago, I have been quite hesitant about cabling in any event since you left the Bank of England, largely because of the fact that the code that we use is so generally known. Your failure to receive No. 12 only exaggerates my feeling about cabling anything but the most trite messages. I hope you will remember that as my cables reach you.

(7) Mr. Jay was not feeling particularly well yesterday and did not come to the bank, and a little fever has persuaded him to stay away over the weekend as well. I understand it is nothing serious, but mention it in case you might otherwise miss a letter from him in this mail.

All the rest of us are on the job and feeling tip-top. The bank as a whole seems to be running along quite smoothly, and although Herson is still in the process of examining the bank, we have had very little but the most routine contact with the Board in Washington.

(8) I made reference to your apartment and the relations with the Board in my cable No. 12 and also in my cable No. 16. I have not gone into ~~any detail~~ any detail about it merely because Mr. Jay told me specifically that he would cover that subject in a letter that he wrote you. I rather think myself that you may eventually get more from Winston after he has returned to Washington than in any other way. But unless there is a vacancy by resignation, I do not think there is any change in the cards as they are stacked at present.

(9) I want to thank you particularly for your personal letter of May 22 from Rome telling me about yourself and how you are feeling. I rather gathered that you had a tough time on the way across, and Governor Norman wrote me that you were not at all well in London. I hope, however, that you are really on the mend now. That temperature must have been a source of real worry to you and without the opportunity to take care of yourself, it seems all the more extraordinary that you got rid of it as quickly as you did. I do hope though that you are getting the real rest that you need. I did talk to Dr. Miller about you because after I got your first letter written from the steamer I was frankly worried and thought that possibly your plan to go to the Riviera might be the wrong one in the circumstances. Dr. Miller, however, was certain that that made no difference whatever. The only injunction which he issued was that you should be quiet and I hope that is what you are doing now. Even after you leave there, I should think you would try to take it pretty easy.

Miss Bleecker has just poked her head in the door to say that Mr. Alexander's office has just telephoned over here asking to speak to Adolph Miller,

who they said is on his way over here! This is all I know about it. I may have something more to write you next time!

Goodby and the best to you from all of us.

Faithfully yours,

George Harrison

This letter was hastily dictated and mail time is so near that it must go as it is.

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

Encs.

FEDERAL RESERVE BANK
OF NEW YORK

June 11, 1926

Dear Mr. Strong:

In my longer letter of to-day's date, there was enclosed a copy of some correspondence with Mr. Redfield concerning Congressman Strong's bill. Inadvertently, we enclosed a copy of a letter which I dictated to Mr. Redfield under date of June 11. I had not read it and just want to let you know that it has not been sent; I am merely sending him an acknowledgment with thanks. Will you, therefore, please destroy the copy that was enclosed with my other letter.

Very sincerely yours,

George L. Harrison
mc

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

Don't be surprised if this reaches you before the one to which it refers because they are leaving on different boats.

June 18th 1926.

Dear Mr. Strong:

I received your hand written letter (in re Case) of June 6th just before I left for Washington on the 10th. I showed it to Jay who has understood anyway why you have communicated through me rather than him on that subject. I had been quite frank with him about all your cable messages. We both caught your points I think and gave Case all the info he wanted. Your letter to him, contrary to your personal most gratefully and happily received

and was the final element in his
decision to stay. Your congratulatory
note also pleased him a lot ~~and~~
so that you can be assured he
has no feeling whatever that you
were not frank or helpful or that
you were "unappreciative." You
did just the right work and did
it beautifully!! So the thing is closed
now with ~~simple~~ satisfaction to
him in the present and no delusions
at all as to the future.

This is in a great rush to go with
my other long letters. Y.S.H.

COPY of handwritten letter

June 18th, 1926.

Dear Mr. Strong:

I received your handwritten letter (in re Case) of June 6th just before I left for Washington on the 16th. I showed it to Jay who has understood anyway why you have communicated through me rather than him on that subject. I had been quite frank with him about all your cable messages. We both caught your points I think and gave Case all the dope he wanted. Your letter to him, contrary to your fears, was most gratefully and happily received and was the final element in his decision to stay. Your congratulatory cable also pleased him a lot so that you can be assured he has no feeling whatever that you were not frank or helpful or that you were "unappreciative." You hit just the right note and did it beautifully!! So the thing is closed now with complete satisfaction to him in the present and no delusions at all as to the future.

This is in a great rush to go with my other long letter.

G. L. H.

FEDERAL RESERVE BANK
OF NEW YORK

June 18, 1926

Dear Mr. Strong: ✓

My last letter to you was June 11.

✓ (1) Late that afternoon Winston arrived and brought me your letter of ✓
May 29 concerning Italy, together with a copy of your letter of May 26 on the same
subject, the original of which arrived this morning.

It was most satisfactory to see him and hear first-hand about you and your trip, - most of all that you seemed so much better before he left. He told me in some detail about your visit to Paris, and more particularly about your stay in Rome. Before he left, I told him that I thought that now that I had received your final letters on Italy, and now that you are off on your vacation for a few weeks, it would be most opportune for me to report to the Board the substance of what you have seen and heard since you have left here. I told him that the newspapers, and more particularly the various Washington information services, have related in some detail all sorts of stories about your visit, what you are doing, and more particularly what you are not doing. Many of these stories have been obviously erroneous; others with some color of truth - but all colorful rumors that might be misleading. We had heard nothing whatever from the Board, no questions, no inquiries of any kind; but I think that they must have been wondering about what you are doing. Hence my suggestion to Winston and my cable No. 17 to you. I was particularly pleased with your cable No. 25 in reply, and immediately called Platt (Crissinger has been and still is out of town quite sick), told him that only on Saturday I had received your final letters through Winston, and that I would be glad of an opportunity to tell the Board the substance of what you have written us, if they cared to have me do so.

Platt said that he thought it would be most interesting, and when I asked him to suggest a date he said that he would confer with the Board and call me back. Finally, he fixed yesterday (Thursday) the 17th, saying that the Board would be delighted to have me come and tell them whatever I cared to. He mentioned on the telephone (that was Tuesday the 15th) that Governor Crissinger was out of town, that he would not be back for sometime, and that Mr. Miller had sailed on Saturday on the Leviathan. It so happens that I heard only on Tuesday morning that Miller had left (this was after I had cabled you about reporting to the Board) but as Platt suggested, there was no occasion to await either his return or Crissinger's return.

So yesterday Winston and I both appeared before the Board. Winston opened the meeting by telling them rather briefly of some of the general aspects of the foreign situation, referred to the difficulties being experienced in Belgium, France and Italy, and explained that his trip abroad was primarily a vacation, and secondarily an opportunity with you to learn something about conditions in France and Italy. I then told the Board that I had wanted for sometime, particularly in view of press reports, to tell them about your trip, but that while we had received cables from you they were necessarily cryptic and that I wanted to await the receipt of your letters on both France and Italy before going before them. I explained that those letters had only arrived on Saturday and that, therefore, I availed myself of the first opportunity to suggest a talk with them.

I commenced the discussion by emphasizing that this trip was merely one of your annual visits to the Central Banks abroad, that you felt, as our directors feel, that it is essential for this bank, through you, to maintain its contacts with our foreign correspondents not merely in an effort to maintain personal relationships with them, but also because, as you had explained to the Banking and Currency Committee of the House, we regard our relation to monetary stability and a return to the gold standard in Europe as one of our chief functions and one of our best opportunities to assist the country as a whole by maintaining our foreign markets abroad.

June 18, 1926.

I could see that this preface struck the right note with the Board, and I then told them that while your letters necessarily contain some information that had been given to you in confidence and that I hesitated to pass on to anyone, nevertheless I would be glad to read parts of, or talk from, your four main letters, that is, the ones of May 15 and 23 on France and May 26 and 29 on Italy. The Board said that they would like to have me read as much of the letters as I cared to. So with careful expurgations and some deletions, I read extracts involving the better part of these four letters, discussing various points as they came up and answering questions as they occurred. Winston was a great help and interpolated ideas and vivid pictures of first-hand impressions that interested the Board immensely. On the whole, I think that our meeting went off in first-rate shape, and I concluded with the statement that I wanted to leave feeling sure that the Board realized: (1) that you had been most meticulously careful to have no negotiations or discussions with anyone except the central banks abroad, or when unavoidable only in the presence of the Governors of those banks, to report what you and those Governors may have discussed or agreed upon. This I pointed out was carefully emphasized in all your letters.

(2) That you had not negotiated any loan with France or Italy or any one else, and that according to your latest advice, no such negotiations of any kind were in progress.

(3) That you would not enter into any such negotiations with any Central Bank abroad unless or until those countries interested had ironed out their own differences and agreed upon a comprehensive program of stabilization with some reasonable possibility of successful accomplishment.

(4) That while you view the situation as being most confused and even gloomy, nevertheless you feel that for the first time they are beginning to see that they cannot expect American help or Federal reserve help unless or until they help themselves first, and that with this realization you are hopeful that they may soon see the necessity of doing something for themselves rather than temporizing

with makeshift credits from abroad.

The only members of the Board present were Platt, Hamlin, Cunningham, James and McIntosh. Eddy and McClelland were at the meeting when it first opened, but after my preliminary statement withdrew, so that at the time of our discussion the only persons present were the five members of the Board, Winston, Dewey and myself. After the meeting, each one of the members of the Board told me how much interested they had been in the whole discussion, how satisfactory it was to have me report as I did, and that they think the whole matter had been handled in the most helpful and satisfactory fashion. I think it is the first time that I have been in Washington for sometime when each member of the four ^{regular} members of the Board, unknown to each other, gave me an invitation to lunch. I went with none of them.

The only "out" about the whole meeting was a misunderstanding which Winston and I had between ourselves. Before the meeting we had mapped out a program of procedure which involved, as I thought, Winston's reporting in behalf of the Secretary that you and the experts had testified before the Indian Currency Commission in London. In other words, accepting the theory that you had employed experts, prepared data and made an appearance before the Commission, acting as Fiscal Agent of the Treasury upon the confidential request of the Secretary, I thought it would be better to have him make the first reference to this subject, especially as we had never received any authority from the Secretary to report the matter to the Board. Somehow or other, however, Winston failed to mention the question at all and I would have done so except for the fact that Winston stopped in to see the Secretary on his way to the meeting and I was afraid that perhaps unknown to me the Secretary had advised him not to talk the matter over with the Board at all. Immediately after the meeting, I tried to get hold of Winston but he was tied up with the Secretary, so that I did not see him until after lunch. He then mentioned that he had thought that I was going to discuss the subject. So between us, no mention of it was made whatever. I suggested, however, that he take the first occasion to take it up with the Board

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and explain that he is reporting in behalf of the Secretary regarding a matter which the Secretary had confidentially asked you to undertake. I am sending you a copy of a letter which I am to-day writing Winston as a matter of record.

(2) I understand that at yesterday's meeting (at which I was not present, being in Washington) the directors approved the recommendation of the officers to pay each of the Professors \$3600 plus expenses, which amounts to about \$100 a day. I believe Mr. Jay is writing you concerning the basis on which we arrived at this figure. I think myself that it is eminently fair and that we might have difficulty in sustaining a higher payment. Your letter to Mr. Jay on this subject indicated that you thought Sprague should perhaps receive as high as \$5000. But, in the circumstances, particularly after investigation made by Burgess to ascertain what fees are usually paid to experts for work of this kind, we all felt that we would not be justified in paying more than \$3600, and that as long as we fixed the payment at this figure rather than at \$5000, we had much better pay both Professors the same amount. I hope this will prove to be satisfactory to both of the Professors and yourself.

(3) Now as to the McFadden bill. I cabled you the substance of the agreement in my cable No. 18, and as the report has not yet been formally submitted and is not available to be forwarded with this letter, you will have to rely on that as being substantially correct. I have not myself seen the text of the report. I agree with your cable No. 26, however, that the charter provision is as good as we could expect, and I really think that the Hull amendment compromise is not as bad as it might have been, although I understand that North Carolina and some other States which have no cities larger than 100,000 are now openly objecting to the compromise. As far as I can learn in Washington, no one seems to know what McFadden's point of view is. There is some feeling that he should have introduced the report in the House at once and urged action upon it, especially as he apparently has a majority, but it is now planned to bring the matter up for a vote on Tuesday the 22nd. Wingo is apparently adamant and both he and Hull expect

to fight the bill on the floor. I agree with you that Wingo might well have been convinced of the inequity of the Hull amendment, except for the fact that he has so many times vigorously and openly opposed branch banking of any sort, and because he agreed to the original House bill only upon the express ground that the Hull amendment be attached. McFadden told me that bankers in Wingo's own district opposed the Hull amendment, but somehow or other Wingo has not wavered. King switched for the compromise measure only because he got the provision about the joint committee to investigate the effect of the "American banking system" upon commodity prices since 1914. No one seems to know quite what his idea is or why he wants this investigation on top of McFadden's inquiry on the Strong bill. Comptroller McIntosh told me that he was sure this provision of the conference agreement would be eliminated either in the House or in the Senate as being foreign to the purpose of the bill. But even if it is not eliminated, I suppose it will not do much harm if we get our recharter through, and I question whether it is advisable for us in any way that might be conspicuous to oppose this provision of the conference agreement as long as that agreement also provides for the extension of the charters. Having got our charters, it might be a poor time openly to resist a committee to ask what effect we might already have had on prices during the period of our existence. Platt also told me that he understood the provision for the joint committee would be eliminated, so that I thought ^{knowing} all the facts, it would not be wise for me while I was in Washington to do anything whatever to oppose the matter. It might much better take its own natural course so far as we are concerned.

(4) Wednesday as I was leaving for Washington, I got your letter of June 6 concerning Poland, enclosing an exchange of letters which you have had with Mr. Stetson, our Minister at Poland, which I have read with interest. I still believe, however, as I mentioned in my cable No. 16, that I think it would be unwise for you to go to Warsaw unless the atmosphere clears quite considerably before you would naturally go there. It so happens that Ciech³inowski sat right opposite me on the train to Washington on Wednesday, and I had a most pleasant trip with

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him. He is a delightful person. Incidentally, he had heard all about your talk with the Polish Minister at London and was quite opposed to your compromise suggestion about having various other nations represented on the Kemmerer commission.

He said he took it up with Kemmerer, that he also was rather opposed, and that he himself (I think) cabled to Warsaw urging against it. He smiled and said that he thought that your suggestion was very probably out of deference to Norman. But I merely mentioned that I had not heard from you just what was the basis of your proposal. I assume, however, that as long as the Kemmerer commission is now all fixed, the Polish Government is going ahead with it on an American basis solely. Ciechinowski seems to think that the present set-up will facilitate credits in this country, will be just as satisfactory for credits in France as any compromise set-up, and that as far as London is concerned, they will not want to let the business go elsewhere when the time comes for a credit, regardless of who may have composed the commission mapping out the program! In any event, he seemed very happy that the thing is set up as it is, and expressed the hope that you might be able to go to Warsaw before you leave Europe.

(5) Now as to Adolph Miller. After my meeting with the Board yesterday, when talking alone with Platt, he himself raised the question and said that he was wondering, in view of the reports that Winston and I had given the Board about conditions in France, ~~particularly~~ what Miller might get mixed up in and seemed most anxious that some way somehow he might get an advance slant on conditions as they are. I asked Platt whether Miller planned to go to London. He said Yes, but he thought only on the way home. (He is to be absent ten weeks in all.) Platt then asked me whether I thought that Miller might meet you somewhere. I said that I had no idea whether he would run into you or not, but I knew that you planned to be in the south of France until the middle of July, and that any meeting with you was unlikely during the earlier part of his trip. Platt did not know Miller's itinerary, and as far as I can find out, no one else does. The interesting thing is that

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Platt, who is quite a talker himself, seemed really worried about Miller tumbling unwittingly into a hornet's nest.

(6) Winston and Morrow are testifying before the Finance Committee this morning on the question of the French Debt settlement, and press reports of this morning lead to the belief that there may be some questions asked as to what you did in Paris. The dress rehearsal which Winston and I had yesterday ought to be pretty effective preparation for him in the event that that does happen. It may be, however, that they will strictly confine themselves to debt settlement and nothing else.

(7) This is all that I have to report at the moment. The stock market has boomed along the last few days at a great rate and your No. 26 paragraph ^{indicates} 47 that you are worrying about it. But I am covering that by a cable to-day and no doubt Burgess and Jay will go into the question in more detail in their own letters, so that I shall not burden you with it again in this one. Steel and General Motors seemed to start it and still lead it, although the ticker this afternoon ~~indicates~~ a real check to the advance.

Take care of yourself and continue to get the rest you deserve. Judging by the amount of your correspondence, however, I am afraid that you do not get the chance to loaf that you should. I am certain you won't if many ^{of the} letters that you get are as long as this one. Please forgive me.

Faithfully yours,

George L. Harrison

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

GLH.MM

P. S. I am enclosing on a separate sheet of paper a paragraph which might have gone in this letter, thinking you might want to destroy it.

There were enclosed with
Harvard's letter to Strong on file
dated June 18, 1926
in separate white manila
folder of miscellaneous
correspondence Strong had
with his colleagues (European trip 1926)

Addendum,

I.

Crissinger is in Marion and has been there now for two or three weeks.

For sometime he has been quite sick with some sort of kidney trouble, I think it is. Platt told me yesterday that he does not know when he will be back, although Eddy intimated that he might possibly be back next week. As far as I can gather, he is a very sick man, needs an operation, but is in no condition to stand an operation on account of his heart. If that is true, on top of Crissinger's own feeling about the Board and his relations to it, I cannot but believe that he will either resign or have to quit sooner or later, in any event. It seems to be the only opportunity for any realignment of the Board's personnel, and as I think Mr. Jay has written you, it looks now as though Mellon would do nothing until a vacancy such as that occurs. Hamlin told me yesterday that he has not been re-appointed, but he seemed quite optimistic and mentioned the names of a number of influential men in Washington who are supporting him, including Mellon. I think I think he seemed fairly sure of his position. The only doubt he seemed to have was whether the appointment would go through before Congress adjourns for the summer. June 26 is tentatively fixed as the date of adjournment.

In one of your letters to Mr. Jay, you mention that you think that neither he nor I took your last talk as seriously as you intended it. I assure you, however, that as far as I am concerned, *and I believe the same is true of Jay* there has never been any doubt in my own mind of the way you feel, and I have emphasized my conviction on that score at every meeting we have had to discuss the question with the directors. Not only that, but I have discussed it privately with individual directors, and I think that they all know how definitely I feel about your declaration. It is no doubt true, however, at the moment not much is being done regarding the situation in Washington. Crissinger's illness and the possibility of his retirement seems to be the reason prompting ~~no~~ ^{no} action at the present time. Dewey tells me that Mellon is to go abroad possible the middle of July. If that is so ~~no~~ ^{then} nothing will be done until

after his return, even though Crissinger should quit. That would very likely mean no appointment of any kind until after election. In the meantime, you will have come back, the situation will have been little changed, and I am afraid you will feel then, as your letter to Mr. Jay indicates, that you think nothing is being done. But as a practical matter, in the face of Mellon's own views on the situation, I do not see how it is possible to do more until a vacancy occurs, such as Crissinger's. The only alternative would be - and this is one which I have myself discussed, - to let Mellon know about the whole matter and what course you might take. That has been discussed with the directors before and they feel, after some thought on the subject, that it would be most questionable tactics to follow and might only result in embarrassing both Mellon and yourself. Rather than do that, the general feeling seems to be that it would be better to await the likelihood of Crissinger's retirement. In view of that possibility, however, I think we should be giving very much more active thought to the name of a successor and I shall talk with Mr. Jay again about that this afternoon.

That I can assure you will be done.

Otherwise, and generally speaking the Board seems friendly enough and is pretty well leaving us alone. I am very hopeful of it all provided we get a real fellow for Governor who can grip the Board with some force and determination.

FEDERAL RESERVE BANK
OF NEW YORK

June 22, 1926.

Dear Mr. Strong:

I have just seen Leffingwell, with whom I had a very general talk about France and Italy, more particularly France. I had thought from one of my earlier conversations that he was impatient with the Bank of France for not having asked for a loan after the appointment of the Expert Committee, when Morgans had indicated, I think, that they would consider favorably a request for a loan. True, from their own point of view, they were glad not to have them ask for it, but I had understood that he seemed to think that the Bank of France should have asked for a loan as a first step toward the formulation of a constructive program.

I made some reference to that understanding in my talk with him today, and he has cleared up his point of view quite satisfactorily. In point of fact, he feels, precisely as you do, in that they should ^{not} ask for a loan in the absence of a concrete program, but rather that the Bank of France has been somewhat remiss itself in not having been more active in the formulation of a program. As you state in your cable of June 9, the credit is desirable only as a part of a more comprehensive plan which has not yet been developed, but that when developed, the Bank should not hesitate courageously to use its gold. So much for that.

Leffingwell has told me of some further inquiries by the Belgians, first through de Cartier over here and then through Franqui in London. I understand that they expect to raise a billion and a half francs more taxes,

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but that nothing else very definite has been developed. As you remember, the original bankers' credit of \$27,500,000 was doubled with an additional credit expiring the end of March. The latter credit was never used and about half of the original credit which extends until June 30 is in use at the present time. The bankers have agreed to extend for another three months that part of this credit, approximately \$13,000,000, which is now in use, thus relieving the Belgians of any pressure to pay off. Leffingwell himself questions, as he always has, whether it is possible for Belgium to do anything without France. He believes, as I understand you to believe, that possibly Italy may go it alone, but as to the other two, he is now waiting for a program.

I cabled you yesterday that the House will give preliminary consideration to the conference report on the McFadden bill to-day. A word of explanation is necessary since the parliamentary situation is a bit confused. The conferees agreed upon the report substantially as I cabled you on June 15. It so happens, however, that McFadden had promised the House when the House conferees were appointed that whatever was done about the Hull amendments, he would give the House an opportunity to vote on that section of the report independently of the complete conference report. That being so, the approval of the conferees to the revised Hull amendment is naturally conditioned upon separate approval of the House of this particular section. Pending that approval, it is impossible for the Senate to take action since there is not any unqualified conference report for the Senate to act upon. It is in this situation that the matter comes before the House to-day. The more I have thought of the added King resolution to investigate the effect of the American banking system on prices since 1914, the more perturbed I get, and particularly as the press generally has been most critical of the proposal. When I was in Washington on Thursday, the Comptroller, Colonel McIntosh, assured me that

this provision of the conference report would be struck out on point of order. You yourself suggested that it might be taken up with the Speaker, but inasmuch as Winston has also unqualifiedly confirmed what McIntosh said, I have done nothing more about it. I hope it will not be overlooked.

As to the Pension Bill. As you know, the Senate Committee has reported it favorably and it is just possible that McLean may get action on it in the Senate before this session adjourns. McFadden's committee, however, has not even considered it, and due to the hearings on the Strong bill, the discussions on the McFadden bill, and also, I personally think, a little to McFadden's own indifference, it has been impossible to make any progress towards consideration by the House committee. While the newspapers are a bit confused this morning as to when Congress will adjourn, there does not seem to be much hope of affirmative action by the House this session. The time is much too short.

Yesterday Mr. Jay got your letter expressing some doubt as to whether he and I fully appreciate the seriousness of your discussions of the Federal Reserve Board matter. You cite the fact that Miss Bleecker and Phil and I had continued the lease on the apartment as evidence. As a matter of fact, while I have not written you very much concerning the Board question because Mr. Jay has told me that he was writing you concerning it, and ^{while} I purposely eliminated reference to the matter on that account, nevertheless in view of one or two other references that you had made to our attitude toward your possible action, I felt it only fair to mention it in some detail in an addendum which I wrote you on June 18. Your letter to Mr. Jay which was received yesterday, makes me the more glad that I wrote you as I did. As to the apartment, however, to which I made no particular reference, when the time came for a decision, I explained to both Phil and Miss Bleecker, that no progress had been made

and that it was unlikely that any would be made before the fall, if then. It all depended so much on Crissinger. But the cancellation clause, coupled with the fact that whatever you may do will take sometime, even if it is only the closing up of your affairs here, that to continue your lease seemed the practical thing to do. We might have cabled you for instructions, but in view of the nature of Alexander's report about Washington, my hands were tied in that regard. My chief regret is not so much that you have been saddled with the apartment, because I think that you will be able to work that out satisfactorily, but rather that you have interpreted that as meaning that we have failed to appreciate how serious you are about the whole business. As I explained to you in the addendum to my letter of June 18, both Mr. Jay and myself fully realize just how you feel, and I am certain also that the directors do as well. Furthermore, I am deeply certain that they sympathize fully with your point of view. The only difficulty is what can be done at this moment short of an ultimatum to Mellon. This, I mentioned in my letter the other day, we all feel would be unnecessarily embarrassing both to you and to him, particularly in view of the fact that there is a solution short of an enforced resignation in Washington, that is, the appointment of a Governor who can effectively control the Board.

But this again is my own personal report to you because I understand that Mr. Jay is either cabling or writing you in some detail to-day. I have felt from the beginning that as regards the Board situation, reports had much better come from Mr. Jay than from me, because it was a matter that you referred expressly to the board of directors. I have written this much to-day and in my letter of June 18 only because I felt that it might throw some light upon my own personal appreciation of how serious you are. I can well enough see how you might have had some doubt about that because of my

failure in the past to mention it in any of my letters, as well as because of the action taken on your lease. As to that, while I myself did not make the decision, I fully sympathize with the position which Phil and Miss Bleecker took. In the circumstances, I think it was the best thing for them to have done, and I hope that events will later justify it!

The Open Market Committee met in Washington yesterday. My cable No. 22 reported the substance of their action. Case returned to-day and said the meeting was most satisfactory, although there were only three members of the Board present - Platt, James and Hamlin. Crissinger is still away and Cunningham went last week to John Hopkins, where I understand he may be detained for sometime.

My cables No. 21 and 22 have given you the current news on the money market as well as the stock market, and while there seems to be considerable optimism around the Street as to the future of stock prices, nevertheless we expect tightening of money for the next ten days or two weeks might check the bulls a bit. The present rise is nothing like the market of last winter, and I do not believe there is any feeling prevailing that it will develop into such a market. In any event, there does not seem to be anything to worry about at the moment.

I am so glad that you are getting a good rest and feeling so much better. Please be sure to continue it long enough and don't let any restlessness on your part hurry you. Everything is going along very smoothly here, and while you indicated in one of your letters that you might be back by the first of September, I myself never expected to see you before the latter part of that month. Your most important job right now is the one that you are doing over there, and I hope that you will make the best of it while you have the opportunity. Certainly, there is no occasion for your

hurrying your trip to the extent of losing the benefit of the rest that you are now getting.

All of us send our best,

Faithfully yours,

George Harrison

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

GLH.MM

FEDERAL RESERVE BANK
OF NEW YORK

June 22, 1926.

Dear Mr. Strong:

I have received your letter of June 6 referring to the minutes of the Officers Council meeting of April 26 on the subject of the availability of Clearing House items deposited with us for immediate credit.

As you no doubt remember, items drawn upon banks in our Bronx-Brooklyn Clearing Arrangement are handed to them about 9:30 o'clock each morning, their accounts being charged for the dollar amount of the items thus surrendered. It so happens, however, that occasionally the amount of the actual balance of the paying bank is not sufficient for this purpose. The question arises whether we should refuse to surrender the items until a transfer has been made to their account to make the balance sufficient to cover the amount of the exchanges, or whether we might properly surrender the items, knowing that they have deposited with us items drawn upon Clearing House banks which, according to our time schedule, are received by us "for immediate credit."

Our time schedule does not spell out what is meant by "immediate credit." But if it means what it says, a member bank might technically claim that Clearing House items are available at once not only for reserve purposes but to be checked against, even though it is recognized that "not good" items might be returned by the paying Clearing House bank as late as 3 o'clock.

Some of the Reserve banks expressly state in their time schedule that such items are received for immediate credit "for reserve and checking

purposes." Other Reserve bank circulars are silent on the matter, but treat such items as being available for both reserve and checking purposes.

In our own case, and this is what was intended to be covered by the recommendation of the Officers Council, to which you have referred, we treat the matter purely as a credit proposition. We have carefully studied the case of each individual bank on our Bronx-Brooklyn Clearing Arrangement, and have given each of these banks a maximum line based upon their credit responsibility, up to which the operating officers of the bank (in this case, Gilbert, Coe and Waters) might surrender checks to the paying bank over and above the amount of its actual reserve balance, provided, however, that in no case will they surrender checks unless the reserve balance plus 75% of their immediate credit items is sufficient to cover the amount of those checks. In any other case, they must go to a Deputy Governor for an O.K.

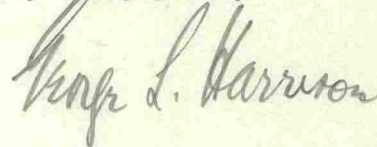
This arrangement is really necessary from an operating standpoint. Even realizing the right of a Clearing House bank to return "not good" items up to 3 o'clock, as a practical matter there is little or no risk involved because of the fact that the maximum limit which we have fixed is so low. For instance, the Manufacturers Trust Company, which is the most extreme case, with capital and surplus of \$19,000,000 and deposits of over \$200,000,000 and average daily exchanges for the Clearing House of over \$5,000,000, has a line of only \$1,000,000. This permits the mail tellers division, with the approval of an officer, to surrender checks drawn on the Manufacturers Trust Company, even though the amount of those checks exceeds their actual reserve balance at the time of surrendering, but not unless 75% of their actual exchanges for the Clearing House that morning is sufficient to cover the difference, and not even then if the amount exceeds \$1,000,000.

June 22, 1926

In substance, this is the practice followed by all the larger city banks and is no different from what we do for country items, where we give availability for reserve and checking purposes strictly in accordance with the time schedule, which in some cases we know is before we could possibly receive telegraphic advice of the non-payment of the item. In the case of New England items, for instance, we credit in two days, although we know we do not get payment for three days and advice of non-payment would be impossible before the elapse of three days. So it all goes back to a credit proposition in every case, and I am continually dinning the ears of the collection function with that fact. It is so true in all that we do in the matter of collections, whether in direct sendings, county clearing arrangements, the availability of credits and what not. Each institution, whether a city bank or a country bank, must be watched continually. It only emphasizes the ever present need of the closest cooperation between the collection and credit departments.

I hope this covers the points which you may have had in mind.

Very truly yours,



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

GLH.MM

FEDERAL RESERVE BANK
OF NEW YORK

June 25, 1926

Dear Mr. Strong:

I want to thank you for your letter of June 9 enclosing a batch of clippings concerning you and your doings in both France and Italy. They are most interesting, though they illustrate that newspaper "bunk", as you so well describe it, is not confined to this country.

I reported this letter as well as your delightful letter on Mussolini to the directors yesterday, and made it the occasion briefly to review your whole trip to date, somewhat in the same fashion that I had previously done with the Federal Reserve Board. They were naturally interested, as always, in hearing of you, and I am glad that I had such a good opportunity to tie up the loose ends of individual or current reports of your letters as they were received.

I am enclosing a Dow Jones clipping just received to the effect that Governor Robineau has resigned. We have, however, had no confirmation of the rumor. Leffingwell just tells me that they also have failed to receive any confirmation. It is interesting, particularly in view of the reports which Winston brought back with him. But I wonder what the alternative can be! If, as Winston indicated, the rumored dissention in the experts committee is largely because of the bank's representatives, it may be that the reported resignation is a drastic effort to overcome differences in the committee itself. But please keep us posted of anything that you hear.

I am to-day sending you a long cable (No. 25) a copy of which is enclosed, prompted largely by your longhand letter of June 11, which I plan

June 25, 1926

to answer in a day or so. In the meantime, please accept my cable as an acknowledgment, as I simply have not time to-day for a longhand letter. For some reason or another the work has been very heavy, although I think everything is going along smoothly enough.

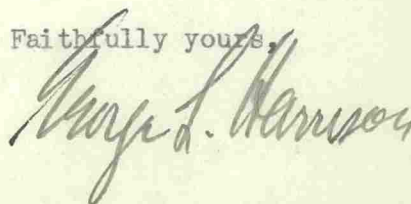
Paragraph 6 of my cable gives you the latest news on the McFadden bill, and while every indication is that nothing will be done this session, I secretly wonder whether Edge and Pepper (who has succeeded McLean on the conference committee of the Senate) might not possibly accept the Hull amendment as insisted by the House rather than to have the whole bill go by the boards. I do not believe that any of the others feel that is a possibility, but somehow I have a wholly inexplicable hunch that it may happen. It is all a great pity.

I understand the others are writing you the current reports and there is nothing else in particular for me to write you now, so I shall close this in order to have it go off to-night.

I am working up some data in reply to your letter of June 6 on the difficulty Governor Norman expressed incident to their investments in short-time Treasury obligations. I will cover it with a separate letter as soon as we work out something.

I hope you are getting some real benefit from your rest. We all miss you a lot, but feel without doubt, as I have often said, that you had much better stay over there just as long as you feel that there is anything that you might accomplish. That is the biggest job that you can do now. What a great pity it is that they cannot seem to find for themselves some strong head that will work out an effective plan while everybody is so willing to help when they present such a plan.

Faithfully yours,



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

THIRTY THREE LIBERTY STREET
NEW YORK

July 6th 1926.

Dear Mr. Strong:

I have wanted for some time
quietly and frankly to write you about
your hand written letters of June 11th and
June 17th concerning the Board situation,
your apartment and our attitude here
towards each.

I can hardly blame you for blowing up
a bit, because I realize how little you

had been advised up to that time of what had been done, or at least of what had been discussed about the whole matter. But, as I think I wrote you in my letter of June 22, I purposely had not kept you advised because I considered it wholly up to Jay and indeed I know he fully intended to keep you informed currently. ~~And~~ On one occasion when I spoke about it to him he told me he would do so and that there would be no need for me to cover the matter in writing; you. So I let it go entirely and when you got Jay's first letter about the Attorney General's meeting with no reference whatever to the Board's activities in which you were particularly interested you naturally assumed nothing was being done and no serious interest being exhibited. But what that was has seemed obvious to you - if was in fact not the case.

I can assure you the directors fully and completely realize how serious you are and how necessary it is - if only on account of your

health that something must be done to
make your relations and more particularly
the banks official relations with the
Board more decent and honorable. They
know too, as Jay & I do, that were it
not for your health you yourself would
fight it out rather than handle it as you
are very wisely and properly trying to
handle it now - by putting it up to the
directors themselves. In the circumstances, you
could do no less and no more and
that is realized 100% by everybody.
The directors talk over ways & means

not dangerous, I understand) or were
like Cressager, who has had a great
deal of trouble with his prostate gland.
For awhile it seemed that an operation
might be necessary and there was some
doubt whether he could stand it. But
he returned to his last work and seems
a little better though quite depressed
about himself and the future. On this
set of facts, I can see two factors
personally would prefer to temporary
rather than force an open fight and I
see too how the directors would not

want to embarrass either you or Mellon by
urging the more drastic course when
the Secretary feels as he does about awaiting
a natural opportunity to clear up the situation
when a vacancy occurs. As I have cableed
you - Hamilton was reappointed on July 1st
though he was unconfirmed before adjournment
on July 3. The Secretary backed Hamilton
on the ground that he had played ball
better than most of them, and liked him
personally too. Much that I am telling you
we got through Alexander to whom Mellon

Talked in the greatest confidence so please
to send, when you see the Secretary
abroad, as he pleases now to see you,
not to let on how much you know
of the way his mind has worked!

Jay, as you know, saw him last week
at the request of the directors and he
tells me he has written you of his talk
so I shall not repeat.

On the whole, I think everything that
could have been done, has been done
except that no one has yet been picked
as a likely person for Governor, even if
the opportunity should arise. As to

2
after nearly every meeting and while they
have not wanted to serve Mellon with
anything savoring of an ultimatum
"strong or luller" nevertheless through
Alexander and Jay the Secretary does
know how serious you are and also
that it is largely on the grounds of your
health. He is at a loss, however, to know
what to do in the absence of a
resignation of some sort. He does not
want to force one but rather to wait
for one to occur, possibly Cunningham
who is quite sick at Johns Hopkins (though

THIRTY THREE LIBERTY STREET
NEW YORK

The main thing, as I viewed it then
and as I view it now, is this: that
everyone fully understands and sympathizes
with your present stand, that they realize
how very serious you are in your decision
and that in no avoidable circumstance
can the System let you go. To save
you they will do everything they can
though at the moment that may seem
to be no more than creating an atmosphere.
But that atmosphere is important and
the more it is sensed the more real it
becomes. In the last analysis it will
depend on how deeply Nelson absorbs it

9
THIRTY THREE LIBERTY STREET
NEW YORK
that you may have a chance yourself to
talk to Nelson. For some reason,
or other Morris has not struck a sympathetic
chord when mentioned to those considering
this matter. So also Baker, we understand
from Alexander. Winton feels we must
find a Republican. But no wholly
satisfactory name, Republican or Democrat,
has yet been thought of. It seems to us,
on the whole, that this is the real job
ahead of us for if no forced action is
to be ~~the~~ taken then the only alternative
so far as you are concerned is to get

some Governor who can keep A.C. W. writing
friends. Who is he?

As to your apartment, I do not
wonder you were put out (or that you
were put out about not being put out!)
in all the circumstances, chiefly because
at that time you apparently had heard
nothing. When the time came for a decision
I told Phil and Miss B. the exact
state of facts - that nothing at all had
been accomplished but that at that time
nothing much more could have been
done than had been done in view of

the Secretary's own feeling about the best pro-
cedure. Realizing you would not be able
to quit slap-bang in any event and that
the process of realignment would necessarily
take time even if you should quit, I did
not raise any objection when they both
decided to let the lease run on. This was
particularly in view of the cancellation clause.
It was a tough thing for them to decide
- or for me to decide - but after all I hope
it will prove to have been right, the lesser of
two evils!

abroad, that you were following meticulously
the principles you outlined to ~~the~~ his
Committee - your annual trip abroad
to visit the central banks, careful
observance of your rule never to deal
or negotiate with any representative
of any foreign government and a denial
on my part ~~that~~ of the current story
that you are a special emissary of the
President to negotiate foreign loans!
The next day, July 3, Walter Eaton
publishes a story which I am sending
you separately! My very brief talks

And as to that you will be able to
learn much when you see Mellon.

THIRTY THREE LIBERTY STREET
NEW YORK

I have today received your letter of June
19th about Miller's statement before the
Committee and agree with you it was a
most irremediable thing to have done.
I hadn't seen it myself since I sent the
testimony (the only copy) to you as soon
as it was received. I am thinking over
your suggestion of aggregate foreign bank
figures. The difficulty there is that all
the participating banks get the figures

and some of them have ~~expressed~~ expressed
a wish for it. But even so, we may
be able to work something out.

I have called you today about the
McCadden bill and Hamilton's report.
When I landed in Washington
last Friday the 2^d with you called
#30 for the Secretary I learned that
he & Winston had seen the McCadden the
day before to urge passage of the bill
without any branch bank legislation
as proposed by Glass or else to submit
a compromise bill amendment to the House.

He refused to do either, rather urging King as
the obstacle. When asked if he would agree
if King would be got sore, said they had
no right to ask, refused to answer and
left the room. Both Winston & Mcintosh
indicated that there was something queer
under the surface and that stories were about
that M. had been bought! It's a pretty mess
now.

Another suspicious coincidence: When I
saw Mr F. on Friday, I told him there is
nothing in the newspaper stories of your trip

5

might possibly have formed the basis
for #1 sub-^{NEW YORK}parags. a, b, & c though
of course, not for the rest. I trust
that follow less than you.

This is already much too long and
you may never reach this end. I shall
write tomorrow of my trip to G. on
Friday, about your dates 30 & 31 &
my meeting with James & Cassady.
This one must go on the Aquitania
tomorrow.

Take good care of yourself, get what
rest you can and do not worry about

us here. Everything is going along smoothly
even in spite of the I. R. T. strike today.
All but 16 of our transit department were
on the job before 9:30. It is serious but
they have made a good job of preparing
for it and cabs, buses and the "L"
are doing a great service!

I miss you dreadfully, felt like the
dickens over your letter of the 11th of June
laugh because I felt it was not my
fault, felt much better when I got
your other long hand on of the 17th of
June and am beginning to hope that
by now you feel better too! Faithfully yours G.H.

July 6th, 1926

Dear Mr. Strong:

I have wanted for some time quietly and frankly to write you about your handwritten letters of June 11th and June 17th concerning the Board situation, your apartment, and our attitude here towards each.

I can hardly blame you for blowing up a bit, because I realize how little you has been advised up to that time of what had been done, or at least of what had been discussed about the whole matter. But, as I think I wrote you in my letter of June 22, I purposely had not kept you advised because I considered it wholly up to Jay and indeed I know he fully intended to keep you informed currently. On one occasion when I spoke about it to him, he told me he would do so and that there would be no need for me to cover the matter in writing you. So I let it go entirely and when you got Jay's first letter about the Advisory Council meeting with no reference whatever to the Board situation in which you were particularly interested, you naturally assumed nothing was being done and no serious interest being exhibited. But while that may have seemed obvious to you, it was in fact not the case.

I can assure you the directors fully and completely realize how serious you are and how necessary it is—if only on account of your health that something must be done to make your relations and more particularly the Bank's official relations with the Board more decent and bearable. They know, too, as Jay and I do, that were it not for your health you yourself would fight it out rather than handle it as you are very wisely and properly trying to handle it now—by putting it up to the directors themselves. In the circumstances, you could do no less and no more and that is realized 100% by everybody. The directors talk over ways and means after nearly every meeting, and while they have not wanted to serve Mellon with anything savoring of an ultimatum "Strong or Miller," nevertheless through Alexander and Jay, the Secretary does know how serious you are and also that it is largely on the grounds of your health. He is at a loss, however, to know what to do in the absence of a resignation of some sort. He does not want to force one but rather to wait for one to occur, possibly Cunningham who is quite sick at Johns Hopkins (though not dangerously, I understand) or more likely Crissinger who has had a great deal of trouble with his prostate gland. For a while it seemed that an operation might be necessary, and there was some doubt whether he could stand it. But he returned to W[ashington] last week and seems a little better, though quite depressed about himself and the future. On this set of facts, I can see how Mellon personally would prefer to temporize rather than force an open fight, and I see, too, how the directors would not want to embarrass either you or Mellon by urging the more drastic course when the Secretary feels as he does about awaiting a

July 6th, 1926

natural opportunity to clear up the situation when a vacancy occurs. As I have cabled you, Hamlin was reappointed on July 1st, though he was unconfirmed before adjournment on July 3. The Secretary backed Hamlin on the ground that he had played ball better than most of them, and liked him personally too. Much that I am telling you, we got through Alexander to whom Mellon talked in the greatest confidence so please be sure, when you see the Secretary abroad, as he plans now to see you, not to let on how much you know of the way his mind has worked!

On the whole, I think everything that could have been done has been done except that no one has yet been picked as a likely person for Governor even if the opportunity should arise. As to that, you may have a chance yourself to talk to Mellon. For some reason or other, Norris has not struck a sympathetic chord when mentioned to those considering this matter. So also Baker, we understand from Alexander. Winston feels we must find a Republican. But no wholly satisfactory name, Republican or Democrat, has yet been thought of. It seems to me, on the whole, that this is the real job ahead of us for if no forced action is to be taken, then the only alternative so far as you are concerned is to get some Governor who can keep A. C. M[iller] within bounds. Who is he?

As to your apartment, I do not wonder you were put out (or that you were put out about not being put out!) in all the circumstances, chiefly because at that time you apparently had heard nothing. When the time came for a decision, I told Phil and Miss B[leecker] the exact state of facts -- that nothing at all had been accomplished but that at that time nothing much more could have been done than had been done in view of the Secretary's own feeling about the best procedure. Realizing you would not be able to quit slap-bang in any event and that the process of realignment would necessarily take time, even if you should quite, I did not raise any objection when they both decided to let the lease run on. This was particularly in view of the cancellation clause. It was a tough thing for them to decide--or for me to decide--but after all I hope it will prove to have been right, the lesser of two evils! And as to that you will be able to learn much when you see Mellon.

I have today received your letter of June 19th about Miller's statement before the Committee and agree with you it was a most inexcusable thing to have done. I hadn't seen it myself since I sent the testimony (the only copy) to you as soon as it was received. I am thinking over your suggestion of aggregate

July 6th, 1926

foreign bank figures. The difficulty is that all the participating banks get the figures, and some of them have expressed a wish for it. But, even so, we may be able to work something out.

I have cabled you today about the McFadden Bill and Hamlin's reappointment. When I landed in Washington last Friday, the 2d, with your cable No. 300 for the Secretary, I learned that he and Winston had seen McFadden the day before to urge passage of the Bill without any branch bank legislation as proposed to Glass or else to re-submit compromise Hull amendment to the House. He refused to do either, rather urging King as the obstacle. When asked if he would agree if King would, he got sore, said they had no right to ask, refused to answer, and left the room. Both Winston and McIntosh indicated that there was something queer under the surface and that stories were about that M. had been bought! It's a pretty mess now.

Another suspicious coincidence: When I saw McF[adden] on Friday, I told him there is nothing in the newspaper stories of your trip abroad, that you were following meticulously the principles you outlined to his Committee--your annual trip abroad to visit the central banks, careful observance of your rule never to deal or negotiate with any representative of any foreign government and a denial on my part of the current story that you are a special emissary of the President to negotiate foreign loans! The next day, July 3, Whaley-Eaton publishes a story which I am sending you separately! My very brief talk might possibly have formed the basis for paragraph 1, sub-paragraphs a, b, and c., though, of course, not for the rest. I trust that fellow less than ever.

This is already much too long, and you may never reach this end. I shall write tomorrow of my trip to W[ashington], on Friday about your cables 30 and 31 and my meeting with James and Crissinger. This one must go on the Aquitania tonight.

Take good care of yourself, get what rest you can and do not worry about us here. Everything is going along smoothly, even in spite of the I.R.T. strike today. All but 16 of our Transit Department were on the job before 9:30. It is serious, but they have made a good job of preparing for it and cabs, buses, and the "L" are doing a great service!

I miss you dreadfully, felt like the dickens over your letter of the 11th of June, largely because I felt it was not my fault, felt much better when I got your other longhand one of the 17th of June and am beginning to hope that by now you feel better too!

Faithfully yours,

G. L. H.
[George L. Harrison]

FEDERAL RESERVE BANK
OF NEW YORK

PERSONAL AND CONFIDENTIAL

July 8, 1926

Dear Mr. Strong:

July 6
I wrote you on Tuesday by hand and among other things acknowledged your personal and confidential letter of June 19 in which you make certain references to Dr. Miller's statement before the House committee. As I mentioned in my letter, I agree with you that this breach of confidence should not be passed unnoticed, but I feel, as I gather you do, that we had better not do anything about it until such time as we may be prepared to propose another program for handling reports of our foreign accounts. We could then use the Miller incident as an argument for the change. As I mentioned in my other letter, however, the difficulty of consolidating the reports of our foreign accounts is that a number of participating Federal reserve banks have specifically requested not only individual statements, but even individual lists of the acceptances purchased for individual foreign accounts. I have the matter in mind, however, and think perhaps the best time to take it up will be at the next Conference of Governors, when we can talk it over frankly with the Governors before making any sort of a proposal to the Board.

The latter part of your letter of June 19 dealt with Mr. Phillip's visit to Antibes and his report of the antagonism felt in Brussels towards America. Apparently it is much worse than I had supposed, and it is most unfortunate that Leland Harrison did not take advantage of the information you gave him to keep Mr. Phillips fully posted. He could have done so much to straighten things out. I am only hopeful that after his talks with you,

July 8, 1926

and particularly after reviewing all the cables which you showed him, he may be able to create a better impression before Dr. Miller reaches Brussels. If he gets the same story that Mr. Phillips got and returns to this country before you do, he may very likely try to stir up some trouble. This prompts me again to refer to my meeting with the Federal Reserve Board on June 17, when Winston and I went over in detail all of your letters concerning both France and Italy, discussed situations generally abroad, and frankly told them what you had been doing and what you had not been doing since you left here. The only omission at that time, ^{about} which I wrote you, was about the Indian matter, which Winston covered subsequently. I told them at the end of the meeting that I would keep them advised of any affirmative developments of which they should know. It so happens that nothing really deserving of comment had transpired between my meeting of June 17 and the receipt of your cable No. 30, which you asked me to take up with Mellon, and about which I went to Washington last Friday, July 2. While there your cable No. 31 was telephoned to me through Morgans, and since you asked me in that cable, among other things, to get the Board's reaction, I immediately telephoned Governor Crissinger to ask for a meeting. Unfortunately, this was Friday before the July 4th holiday, and the only members present were Crissinger and James. For Crissinger's benefit, I reviewed again a little of what I had told the Board on June 17 when Crissinger was away, and then read to them in full your cable No. 31, having paraphrased your No. 30 which contained a lot of technical details that I thought would not interest them. I indicated, however, willingness to read the whole of No. 30 if they wanted me to do so. Your No. 31 stated in part that you would have immediate discussions with Moreau, provided "the Federal Reserve Board was favorably inclined towards our aiding." When I finished reading that cable, James did not appear to be particularly friendly. He said that "Ben Strong knew more about this foreign

business than anybody in Washington and that if he wanted to go ahead and have discussions with Moreau, he would do it and there was no reason that the Federal Reserve Board should be expected to share the responsibility when they knew so little about what was going on anyway." I told him that you were not asking the Board's approval in advance of any program or any plan or any agreement; that all you wanted to know was that they were favorably inclined toward aiding. He then said that they, of course, wanted to be helpful toward monetary stability in France, but that I could not tell you anything other than that. In his discussion he said something about knowing only the high spots of what you are doing and that they would want, of course, to know a whole lot more about it than they do before they approve of any credit to France. I told him that of course any plan would be submitted in detail to the Board for its approval before adoption. But while I argued about his statement that he was not being kept informed and told him that I had taken the trouble to go to Washington to read and discuss in detail every letter that we had gotten from you, I did agree that his statement about monetary stability was all that we could expect or that you wanted at this time.

After the meeting, Crissinger asked what it was all about and why James had taken the position that he was not being kept informed. I told him that I was at a loss to understand in view of the earlier meeting with the Board, which I had myself suggested, and particularly in view of the fact that each member of the Board at that time had told me how much interested they were in your letters and what you were doing and were apparently appreciative of the course I had pursued in presenting it. At this point, McIntosh joined Crissinger and me and I asked him whether he had got the impression that at the meeting of June 17 I had failed to be wholly frank

or that I was paving the way then for subsequent approval by the Board of a plan which even then I had up my sleeve. He laughed and said No that he had not got that impression and that he did not believe anybody else had either, that I had been obviously wholly and completely above board about the whole matter, and that no one could have asked for more.

I mention all this to give you a little of the background in case later on James may decide to join Miller in a joint charge that on this foreign business we had not kept the Board advised. Whatever may have been true in the past, I certainly do not think they have any justification for any such feeling at the present. I think both Crissinger and McIntosh, the only two, aside from James, with whom I have talked fully, agree with me.

Winston was 100 per cent for my cable of July 2 in reply to your No. 31, and as I cabled you yesterday, Mellon, who left Washington before cable No. 31 was received, has since seen it and my reply and has expressed his full approval, although he emphasized again the view that we should not grant any credit before France ratified the debt settlement.

At the executive committee meeting yesterday, I read both your cables No. 30 and 31, together with my reply of July 2, and prepared during the course of the meeting my No. 28, to which the directors present agreed (Messrs. Jay, Saunders, Reyburn and Reynolds). It was Reynolds who wanted to lay particular emphasis upon this being an opportunity to gain the information in which you expressed an interest in your No. 30.

And now we are just waiting to hear further from you as to what you may decide to do. Being on the ground, you yourself have so much more atmosphere than we can detect over here. But the important thing is that Mellon and the directors and those of the Board who were present, have all expressed their desire to be helpful in procuring monetary stability in France. Mellon

July 8, 1926

has fully approved my cable of July 2, and the directors have subsequently approved paragraphs 2 and 3 (which were all they could approve) and expressly stated that they approve of your having discussions with Moreau, realizing that might involve needing further assistance and possibly staying over there much longer than you had originally planned.

Reverting a moment to the Belgian matter, I am turning over in my mind the thought that I might well take an opportunity to remind Leland Harrison of your talks with him about the Belgian transaction, using your letter saying that Mr. Phillips had visited you, as the excuse for referring to the matter. While I am not decided, you need not worry that I shall not be wholly discreet if I do make the opportunity to see him.

Since starting this letter, I have shown your letter of June 19 to Owen Young. He read it with much interest, smiled and said, "Francqui is not anti-American - he is not anti-anything - he is just pro-Francqui. He is one of the ablest, keenest, soundest and best traders in Europe. But he knows what are the limitations of any plan or program that he may be backing, and being an A-1 poker player in every respect, does not object to being called." In elaborating on this, he said that he hopes that you will surely see Francqui when you can, that he knows that if you understand him you will both get on splendidly, and that if, for instance, in a discussion, you should turn to him, smile and say "You know damn well you can't do that - or - there is not anything in what you are saying - or this that or the other thing" he will turn to you smile and say "I know it, but I thought I would see what I could get away with."

Young, in referring to the earlier negotiations which fizzled, said that Janssen never had and probably never would get over the belief that he had been dealt with unfairly, but that Francqui, on the other hand, in talking

about it privately to Young, had said he thought Janssen got just about what he deserved. In conclusion, Young feels that Francqui really is not anti-American at all, that if he is talking much about it, it is perhaps with a view to having something to trade with when he has to deal with the Americans, hoping that we, in an effort to even up, will perhaps be more lenient than we would otherwise have been. Young feels, however, that if you do talk to Francqui, you might very well say to him that he had better stop his anti-American talk and make others stop it too, or else the reaction will be the other way, and that instead of making a good trade, he will make any trade impossible. Young says that is the kind of language Francqui understands. On the whole he draws a delightful picture of him, and assures me, as he wants me to assure you, that you will like him. I have cable No. 32 to-day rather cryptically, giving you this point of view.

Oh! yes, I forgot to mention that Young said that men like Phillips or Adolph Miller would be babies in Francqui's hands, and he chuckled merrily at the mere thought of it.

I wonder if you have heard that Mrs. Shurtleff has been very seriously sick and a week ago Monday had a pretty tough operation. I do not know myself what was the matter, but they tell me in the Medical Department that she is getting along pretty well now and that she may be out of the hospital in a week more.

The strike on the subway continues, and while it began early Tuesday morning after the Monday holiday, it has not crippled or even inconvenienced us to any appreciable extent. It is quite remarkable what a small percentage of tardiness there was even the first day.

I have just received your No. 33 saying that Moreau prefers to defer his meeting awaiting further developments and that this suits you since a few days will disclose whether the plan has any chance of success. I am delighted

July 8, 1926

the matter has taken this turn. All that I intended in my cable from Washington was to make sure that Moreau, rather than you, would take the responsibility of postponing a discussion. As long as he has done that, it gives you the benefit of the delay which might disclose what chance of success the Caillaux plan has. It looks very gloomy in the papers to-day.

I must stop so that this will get off on the Olympic to-night. I am rather ashamed when Miss McCarrick hands me the letters to sign to see how long they are. I sympathize with you when I think of all the stuff that we send you to read!

Goodby for the moment, take care of yourself, and I hope, what seems unlikely, that you are getting a real rest.

Faithfully yours,



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

FEDERAL RESERVE BANK
OF NEW YORK

July 16, 1926

Dear Mr. Strong:

This will answer your letter of June 21 in which, among other things, you refer to Congressman Strong's circular letter and ask that I tell him that immediately on your return you want to go over the whole record again and that you will then give him the very best suggestion that you can propose.

As I think I have told you, I had previously written to Congressman Strong that I knew you would be glad to do just that, but on receipt of your letter I wrote him again reiterating your desire to give him any suggestions that you could after fully reviewing the whole matter. I am enclosing a copy of my letter of July 7 to Congressman Strong, together with a copy of his reply, which is particularly interesting in view of the reaction which he has got from letters of various Federal reserve bank officials.

When his circular letter first went out, we received a number of inquiries as to the best way in which to answer it, and in talking it over with Mr. Jay, we both agreed that it would be a great mistake for us in any way to indicate a line of reply if only because it might be considered as propaganda on our part. Consequently, we never did more than send to some who made inquiry, a copy of George Roberts article in the National City Bulletin. Not having a copy of your testimony available, this was the only means which we had of informing people who might have asked just what you had publicly stated before the committee itself. I think Fancher was the only member of the Federal Reserve System to whom we even sent a copy of

July 16, 1926

the Roberts article. So that I think we have been meticulously careful to avoid any action which might subject us to the charge of propaganda.

I am quite certain that Congressman Strong did not intend to imply by his letter that we had influenced the replies from other Federal reserve banks. As you know, he told us two or three times when we were in Washington that, except for you, representatives of the Federal Reserve System all seemed to take a rather blind and unhelpful attitude towards any proposal to amend the Federal Reserve Act. That was his feeling about Norris, Norris' testimony, and I rather gather that he has got the same impression from others who have written him. I have merely acknowledged his letter and purposely did not make any reference to his talk about propaganda because I wanted to assume that he did not intend to direct the charge toward us. A denial might have given him a different impression.

While it is perhaps easy enough to understand, I think it is too bad the other Federals have given him the impression which they have. The movement expressed in the Strong bill is too serious to deal with by wholly uncompromising denials. I think you have struck precisely the right note, and I only wish it would have been possible for others to have done so without our suggesting to them how they should have made their replies.

*that, we
have never done.*

Very sincerely yours,

George L. Harrison

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

GLH.MM
Encs.

FEDERAL RESERVE BANK

OF NEW YORK

July 16, 1926.

Dear Mr. Strong:

Referring further to your letter of June 19, on the subject of Belgium, as well as my reply of July 8, I have shown Owen Young your cable No. 35 in reply to my No. 32, and have asked him to write Francqui as you requested. He said that he would be glad to do so.

Sincerely yours,

Benj. L. Harrison

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

FEDERAL RESERVE BANK
OF NEW YORK

July 16, 1926.

Dear Mr. Strong:

In reply to your letter of June 26, I have already sent Mr. Jay of Morgan Harjes & Company a franc draft covering his statement for cables which you dispatched through their Paris Office, so you need not think of it any further.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Guy Harrison". The signature is written in dark ink and is positioned below the typed name "Sincerely yours,".

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

FEDERAL RESERVE BANK

OF NEW YORK

July 16, 1926.

Dear Mr. Strong:

This will refer to your letter of July 1, concerning a number of matters.

I have already elaborated a little further in another letter of today the matter of my statement to the Board and what you are doing in France and have told you that I am keeping them currently advised of developments in order that they might be forewarned of the possibility of our being asked for a credit.

I have also advised you of the final disposition of the Indian currency matter. I have sent you a copy of a letter that I wrote Winston more as a matter of record than anything else, and also told you that Winston had written me that he had subsequently taken it up with the Board and reported the matter to them fully. With this I am enclosing a copy of Mr. Jay's letter to Mr. Mellon and Mr. Mellon's letter to the Board.

It was too bad that we failed to cover it in our first joint meeting with the Board, but, as I explained to you, it was my understanding that Winston would report it in behalf of the Secretary, placing the responsibility for your work on the Treasury. Unfortunately, however, just before Winston joined the meeting he had a long session with the Secretary and when he failed to mention the matter to the Board I assumed, for some reason or another, the Secretary had suggested that he do not then take it up with the Board. In the circumstances there was nothing I could do about it. Immediately after the meeting, however, I took it up with Winston and subsequently wrote the letter of which I sent you a copy. While I agree that it may appear to the Board to be a bit disingenuous, nevertheless, I hope now that the matter is satisfactorily disposed of. James may well have this among other things in the back of his mind in the proposed resolution about what you are doing abroad about which I have written you in another letter today.

also
This will acknowledge your letter of July 1, giving me an account of your newspaper difficulties and enclosing copies of telegrams from Elmer Roberts of the Associated Press and from Flory of the International News Service. Whatever you do you are between the devil and the deep blue sea. I think you are wholly right in keeping away from as much publicity as possible and I think they probably have already forwarded to you from the bank a copy of an article which appeared in the American written by your friend Forbes, speaking of you as a man of mystery and rather joshing you about being so secretive. On the whole I do not see how you could have handled it any better than you have and there is no need to spoil the fun you will get out of the job you are now doing by worrying over this inevitable conflict of the press.

In one of my letters to you I sent you one of the Whaley-Eaton sheets and indicated that perhaps ~~that~~ they had got some of their dope from McFadden with whom I had talked only in a general way to indicate that you were having nothing to do with anybody but the central banks. I think now, however, that McFadden had no relation to this particular article since the Whaley-Eaton people

7/16/26.

have made reference to you and "your plan and your doings" in about every one of their issues, and much of it is about matters which in my brief talk with McFadden I never even mentioned. Indeed they began their articles long before I saw McFadden so that I think my hunch on that was a poor one. In this connection I am sending you another Whaley-Eaton discourse that might interest you.

Sincerely yours,

George L. Harrison

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

Encs.

Foreign Letter No. 378.
(All rights reserved.)

For Clients Only.

Dear Sir:

Information furnished
by our European Bureau.

July 13, 1926.

1. We have had access to a private letter from an observer in Paris to his principals in America. It is very frank and we have received permission to quote from it, as follows:

Caillaux's work, in addition to fiscal sanitation, is to persuade the French Parliament to obliterate itself. My reading of the situation is that the chances of success are against him. His program, no less than his personality, is distasteful not only to the Right, but also to the Left. He cannot count fully upon an altogether docile Center. His hold on his portfolio, even if it be masterful and expert, is politically precarious. What he is trying to do is to institute a dictatorship under disguise - an iron hand in a velvet glove. He has powerful influences arrayed against him but he believes, in case of need, he has powerful factors at his call. His friends aver that if the worst comes he can stage a real dictatorship. It is intimated that for this purpose he would have the main strength of the army at his back.

It is only a half secret here that Caillaux foresees serious internal troubles if, and when, stabilization is made operative. Other politicians agree that, as the full effect of stabilization begins to be felt, there will be manifestations which will necessitate the use of armed forces. Dissatisfaction is likely to be acute among State employes, some strikes are certain and grave street disorders are to be looked for. It will be noted that in the bargain Caillaux struck with Briand he insisted on having the key Ministries under his own instead of Briand's thumb. The new Ministers of War, of the Interior and of Public Works are his creations and will do as he bids.

The root of Caillaux's difficulties, as with his predecessor's, is to be found in Parliament, and particularly in the right of initiative of the Chamber of Deputies in financial matters. It is a right which has been abused and has been responsible for most of the chaos in the past. There seems to be a general understanding that Caillaux's plan contemplates the proroguing of Parliament indefinitely by its own consent and government thereafter by executive decree. It has been pointed out to some Deputies that this method will relieve them of responsibility before their constituencies for any action that might be taken in their absence. The Constitution requires that the Chambers must sit for at least

five months in the year. As they have already sat for five months, this year, no legal difficulty is in the way. But the Senate and Chamber have not been persuaded, as yet, to remove themselves from the scene during the period when the franc is to be hitched to gold. They distrust Caillaux, just as they distrust Briand. Wherefore, my opinion is that the present Ministry will not last very long. Briand's chief handicap is his own personality. He has no definitely fixed opinions; he stands for nothing in particular, except a vague slogan which is called "Appeasement." He is a conciliator, a political broker, and not a determined protagonist of any cause, principle, doctrine or belief. His role of turning with the slightest zephyr that blows has brought him ten Premierhips, but it has meant in the past, as it means now, that at an hour of real crisis he has had no profound attachments to count upon. He is never able to go to any considerable body in Parliament and say to it: "Give me your support in this matter, for I am your man." He is no one's man, not even his own.

The financial situation is probably worse than anyone has had the courage to admit. Inherently the country is strong and rich, but Government finances are on the edge of a chasm. The proffered Anglo-American financial aid is declined because it is asserted that the terms necessitate a surrender of sovereignty. The seven billions of inflation authorized in December last have all been spent and so have the three billions obtained from the Locheur exceptional taxes. Caillaux's own organ of the press, "Volonte," says: "So grave is the (financial) situation that exceptionally grave, exceptionally painful, measures are required. No contingency, no scruple, no law, can now be allowed to stand in the way. The man to whom the finances and destinies of France are entrusted will prove either a savior or a sexton."

It is difficult to reach a sound conclusion here in Paris, where the policy of concealment and of partisanship influences the press. As I read the situation, however, the time does not yet seem ripe for what is termed here "the great penitence;" that is, stabilization and a gold currency. I should say that other Governments must follow the present one, perhaps two more, before legislators stop playing politics while their country perishes and before they are ready to surrender the right of financial control to duly qualified persons who would be responsible only to public opinion and not to a Chamber which resembles a cock-pit.

The foregoing is offered as an interesting discussion from a competent observer, but we assume no responsibility for the statements therein made.

2. AID: It is proper again to emphasize here our previous advices that Anglo-American finance is contemplating no rescue movement for France under existing political conditions. Governors Strong and Norman will not deal with a politically-controlled bank, nor with a bank that is likely to be politically-controlled. Both Governors, we are advised, are confident that a stabilization program, along the lines they have considered, can be made effective and that the

finances of France can be restored and her credit rehabilitated. They are equally confident that a rescue movement on any other terms would be abortive and foredoomed to failure. Moreover, there are excellent reasons for believing that Washington stands flatfootedly behind Governor Strong and will give aid only on the terms he has outlined.

3. HOUGHTON PLAN: In January and February mention was often made in these Letters of the so-called "Houghton Plan" for the rehabilitation of Europe. At that time it was impossible to obtain any reliable information as to the details. We are now advised that the Strong-Norman program is essentially the same as urged by Ambassador Houghton. As we forecast at that time, it contemplates the rehabilitation of Continental Europe, not by American political, but by American economic, assistance.
4. MELLON PROGRAM: Paris informed opinion is practically a unit in attaching supreme importance to Secretary Mellon's approaching visit to Europe. It is significant, however, that he is not now looked upon as a financial Ambassador, to initiate measures, but as coming to approve policies and "bargains" already tentatively agreed upon. In the same circles, Governor Strong is spoken of as Mr. Mellon's advance guard, sent ahead of him with the knowledge of President Coolidge. While again stressing the Washington denial that Secretary Mellon has any such formidable program ahead of him as is credited in European capitals, we repeat the following from a highly authoritative source.

It is urgently required that agreements shall be privately reached before it is possible to summon international financial conferences with antecedent assurances of complete success. Mr. Mellon is coming to Europe for this express purpose. It has been arranged for him to meet Strong, Norman, Schacht and Parker Gilbert, and later French, Italian and Belgian representatives at a resort contiguous to the Franco-Italian frontier. Primarily, Mr. Mellon's trip obviates sending another French mission to Washington, with the bad American political effects attendant upon a formal request for another debt revision. As the outcome of cabled consultations between Paris and Washington, Mr. Mellon, by a simple reciprocal letter outside the formal debt document but establishing interpretation of its text, will, if French representations warrant, accord France the following assurances; (a) America will abstain from using a possible decrease in French capacity to pay to the detriment of France; (b) conditional upon French guarantees

regarding an eventual gold currency, America will agree to refrain from commercialization of the debt obligations; (c) America will consent to connect, though not by official measures, German payments to France with French payments to America; (d) Transfer protection will be afforded. These "Mellon concessions," are to be made absolutely contingent upon various phases of French monetary reforms.

Messrs. Mellon, Schacht and Gilbert will consult in regard to German aid in franc stabilization. Schacht will introduce the question of German railway obligations. Marketing these obligations in their present form is impracticable. Schacht, with Gilbert's approval, is prepared to offer modifications making them immediately attractive investments. The proceeds would benefit the French Treasury. Schacht is not making a present to France and will require corresponding advantages to Germany. The character of the "advantages" will be more political than immediately financial. Among other matters, the question of colonial expansion, or obtaining mandated territories, is uppermost in the German mind today. No French Government could survive the cession of colonies or mandates to the arch-enemy, Germany, but a three-cornered deal, involving Britain and its mandate, Tanganyika, is well within the bounds of possibility.

An agreement once reached upon the above main points, Governor Norman will be in a position to summon a conference of Banks of Issue almost simultaneously with a subordinate private banking conference, both cooperating in their distinct fields. It is forecast that the most important outcome of the various consultations and conferences will be unanimous recommendations for revision of all debts, including German reparations, the findings to be that, "astronomical figures on paper are untransferable in fact from Germany or to America." This situation would make Mr. Mellon's interpretive concessions merely a stopgap pending final world settlements.

5. GOLD: The Chancellor of the British Exchequer, when asked as to approximate stocks of gold held by various nations, presented the following statistics to the House of Commons, accompanied by a statement to the effect that the figures, expressed in millions, are not to be considered as exact, but are as correct as possible.

Country.	1913.	1926.	
United Kingdom,	157	149 pounds	(June)
France,	6,570	3,684 francs	"
Germany,	3,170	1,232 marks	"
Italy,	1,993	1,149 lire	(April)
Russia,	2,056	147 roubles	(May)
Spain,	480	2,537 pesetas	(June)
United States,	1,904	4,497 dollars	(May)
Japan,	262	1,123 yen	(April)
Argentine,	243	452 pesos	(May)
Australia,	40	59 pounds	(Sept. 1925)

6. RUSSIA: The Russian question looms exceptionally large on the British political horizon. Just as the famous Soviet "Letter" was, in large measure, responsible for the great Conservative majority now in Parliament, so the Russian question may ultimately be the rock upon which the party may founder. For good or ill, Sir Austen Chamberlain has now pledged his Government not to break off diplomatic relations with Russia nor to abrogate the trade agreement although, it is admitted, the Soviet Government has itself broken the terms of the agreement to bits. In the same breath the Foreign Secretary adds that if he had to make an agreement today he would not make it, and if he had before him, de novo, the question of resuming diplomatic relations he would answer in the negative. Admitting that British relations with Russia are now anything but friendly, cordial or correct, Sir Austen believes that the question is an international rather than a national one and touches the future peace and prosperity of Europe. Britain can take no step which would imperil this. In his words:

"All Europe is perplexed and harassed by economic and social problems. Much of Europe in addition suffers from political uncertainties and a sense of political insecurity which itself reacts upon the economic conditions to their disadvantage, and it is these things which it must be the object of statesmanship in all our countries to alleviate and, if possible, to remove. If we break off diplomatic relations with Russia, we not only introduce a new and disturbing issue into our domestic politics, but we introduce a new and disturbing issue into European politics. It would be no good to us, would give us no weapon for fighting disloyalty or disorder or revolution within our own borders, would create division where we seek union, and would, in its echoes abroad, increase the uncertainty, increase the fears, increase the instability of European conditions, which it is and ought to be our chief object to remove."

7. CANADIAN WHEAT: Mr. Sale, Governor of the Hudson's Bay Co., claims a strong advantage, through lower land values, for the Canadian wheat farmer over his American brother. His figures include values of \$40, \$70 and \$100 per acre for American lands as against \$25 to \$30 an acre for Canadian lands across the border. "In the same year, 1925, an average acre of land seeded to wheat in the latter produced \$20 to \$24 per acre, so that the price of his land was virtually returned to the Canadian farmer in a single year."
8. Developments, holding possibilities of great importance to American business, should come out of Europe before autumn.

Very truly yours,

WHALEY-EATON SERVICE.

FEDERAL RESERVE BANK
OF NEW YORK

July 16, 1926

Dear Mr. Strong:

This will acknowledge your letter of July 5.

I kept very closely in touch with Leffingwell while he was here, but, as you no doubt know, he sailed for Scotland on July 6, so I have not heard anything from ^{the} Morgan people for the last ten days. Leffingwell, before he left, was very insistent that I keep in touch with Lamont or Morrow or any of the other partners, about anything that I wanted to take up with them. I shall do so, but thus far there has been no occasion to. It may be that it will become more important after you go to Paris on Monday. So I plan now to have a chat with Lamont or Morrow sometime next week.

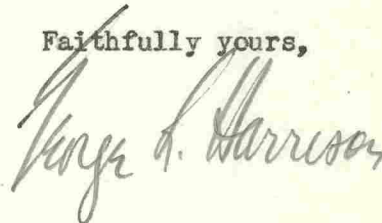
You mention in your letter of July 5 that the Bank of England may want to reduce its rate when the coal strike is settled and that if they do so it will make it much more difficult for us to increase ours. As Burgess has probably written you, we have been watching developments very closely for the past two or three weeks, and had a special session yesterday of the Officers Council to consider nothing else. The directors also went into it very thoroughly yesterday, and it is our best judgment that at the moment we should do nothing. Relative rates in London and New York are so nearly in equilibrium, that any reduction by the Bank of England or increase by this bank might well throw things askew. So that I myself am hoping that the situation here will not make it necessary for us to do anything. I think Case has always felt

July 16, 1926

in the back of his mind that we should not have reduced in April, and Burgess, too, has somewhat that same feeling. But the rest of us, I think, still feel that it was the right move and that there is nothing in the present situation to worry or alarm us. Our cable last week giving the amount of borrowings of the New York City banks might have worried you a bit, but we are sending you one to-day that may prove more reassuring.

In two or three of your letters, and also in your cables, you refer to the fact that you may appear to be a deserter and that you are afraid you are staying away too long. But I hope that you really do not feel that way. You are in the right place at the right time, and as I have already cabled you, the directors feel that you should stay as long as your present job might make it necessary for you to stay. We are getting along splendidly at the bank, we are all well, and the work, while heavy, is not too onerous. So please forget about that part of it and spend your spare moments trying to get the rest and relaxation that you deserve. I am very much afraid that your so-called vacation in the south of France has proved to be a "dud" so that if you can manage in your spare moments from now on to get a little time off, do so and, above all, do not feel that you have to hurry your return trip.

Faithfully yours,



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

GLH.MM

FEDERAL RESERVE BANK
OF NEW YORK

July 20, 1926

My dear Governor:

Last week Colonel Ayres called at the bank to ask when you expected to be back. I told him that very likely it would not be until the latter part of September. With some hesitation he then told me that Mr. Baker had made the inquiry because of the fact that he wants to talk with you about his fee in the Pascagoula case. As Colonel Ayres explained, he is somewhat at a loss on what basis to submit his bill and wants to get your reaction as to the best way for him to handle it.

I told Colonel Ayres that I knew you would be glad to talk it over with Mr. Baker when you got back, although I felt it would be difficult for you to give him any opinion by mail. In the wholly informal discussion which I had with Colonel Ayres, I mentioned that I thought it would be interesting to have Mr. Baker prepare a bill precisely on the same basis as he would have submitted it for a commercial client, and that he might then consider taking the matter up frankly with the Federal Reserve Board suggesting what he would have charged another client, itemizing the various elements in the bill, and suggesting to the Board that in view of the semi-public character of his clients, he would leave it to the Board or to the Federal reserve banks to fix the fee on the basis of his statement as to what he would have charged another client. I explained to Colonel Ayres that I was merely thinking aloud when I mentioned this procedure. But both he and Dr. Burgess (who was present) thought there was much merit in the suggestion.

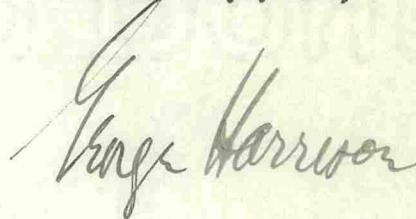
July 20, 1926

I rather think, however, that Mr. Baker will either wait until you get back or until he hears something from you as to what you believe he might better do in the circumstances.

Personally, I think that he is entitled to charge us a considerable amount. He personally handled the whole case after the most careful and detailed study not only of all the related Court decisions of the Supreme Court and other Courts, but after the most laborious study of the theoretical and practical workings of the Federal Reserve System. He did a great job and ought to be paid proportionately. I appreciate that we might not be able to pay him what he might be entitled to charge another client, but if, as Colonel Ayres indicates, he is a very conservative charger in any event, it might be possible to do so.

If you have any reaction that you care to put on paper, you might let me have it so that he need not hold up his bill indefinitely.

Faithfully yours,



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

GLH.MM

FEDERAL RESERVE BANK
OF NEW YORK

July 29, 1926

My dear Mr. Strong:

I am enclosing a copy of a letter dated July 20 which Mr. Jay received last week from Mr. Winston concerning the silver inquiry. In my letter of July 16, I sent you a copy of Mr. Jay's letter to Mr. Mellon together with Mr. Mellon's letter to the Federal Reserve Board. It was with reference to this letter that the Board adopted the resolution to which Mr. Winston refers, but which none of us has seen. Apparently, however, the matter of the expense is, as Winston says, satisfactorily disposed of.

You may be interested to know, however, that when I was in Washington on Tuesday of this week, Governor Crissinger told me most informally that he had heard (I rather think it was through James) that some Democratic Senators in discussing the Indian Currency Commission had mentioned that the Reserve System had done all that it could to aid England in its return to the gold standard and that it was apparently making efforts to aid others in a return to the gold standard, but that for some reason or another we had opposed India's efforts to adopt a gold standard.

I have no idea who made these comments or how critical they really were. I mention the fact merely because it indicates that your appearance before the Indian Currency Commission was apparently known

to people in Washington and that without any appreciation of the arguments
 pro and con ^{they} had expressed some interest in why it was that we should favor
 a return to the gold standard in some cases and not in others! It may be
 that if these comments were general or serious, we will some day have to
 explain just what you presented to the commission and why. But in the
 meantime I think it is nothing to worry about.

Faithfully yours,



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

GLH.MM
 Enc.

FEDERAL RESERVE BANK
OF NEW YORK

STRICTLY CONFIDENTIAL

August 5, 1926

My dear Governor:

I have received your hand written letter of July 9 supplemented by your typewritten letter of the same date, concerning our foreign accounts, and agree with you, as I have felt for sometime, that the number and detail of the reports concerning our foreign accounts is unfortunate. I have already changed the report to our directors by giving a summary of the aggregate of our deposits and investments for foreign banks, and I am now puzzling over the proper way to take the matter up with the Governors of the other Federal Reserve Banks and the Federal Reserve Board. The fact that Mr. Miller made public to the Banking and Currency Committee the amount of our Reichsbank account, will be a fairly valid excuse on which to raise the question with the Federal Reserve Board, and I shall take it up with Governor Crissinger first personally in order to find out what they really need and also to ascertain whether it will be possible to strike out Miller's statement from the record. I agree with you that it must be done if it is not too late now to do so.

We are still working over the problem which Governor Norman has raised with you to provide short-dated investments for their account, and we have about reached the conclusion that a sale and repurchase agreement, which we first thought of, would not be as satisfactory as a ^{limited} participation worked out somewhat along the same lines that other Federals now participate in our open market purchases of securities.

August 5, 1926

Mr. Rounds insists that this is the only practicable way to handle the matter and has shown me that the bookkeeping and computation of interest will be so difficult under the repurchase arrangement as to make it almost impossible in any case where the Bank of England might want to anticipate a resale.

It so happens, however, that there are hitches even in the participation plan, particularly if we should attempt to give the Bank of England a participation in the System's securities, and I hope you will be patient with us, realizing that we are all working on it with the hope of giving you a report by cable, if necessary, before you reach London.

Faithfully yours,

Ernest Harrison

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

GLH.MM

FEDERAL RESERVE BANK
OF NEW YORK

August 5, 1926

Dear Governor Strong:

Our cable #43 on the question of discount rates, which was dispatched last night, gives the substance of our views to date. We discussed the matter at some length to-day at the directors meeting, and while we recommended no change, we indicated that it might become necessary next week. Only five members, including Mr. Jay, were present. The only view expressed by the directors was that of Saunders to the effect that we should raise, but not before we got your views, in the light of the foreign situation.

The day before yesterday, Crissinger telephoned to me to state that he thought we should raise at once and possibly sell \$75,000,000 of securities. He supplemented his suggestion to-day with a letter enclosing a memorandum from Goldenweiser also recommending that we raise. On the telephone today, Crissinger said that three members of the Board (that is, himself, James and McIntosh) feel very strongly that an increase should be made to-day rather than later, but that Hamlin wanted to receive our recommendation before expressing his opinion. Personally and entirely apart from the fact that we have not yet had opportunity to hear from you, I feel that it is much better to wait until next week, in any event. For while as my cable indicated, rates are stiffening, business is very active with some possibility of overproduction in some lines and the stock market boiling, nevertheless we will have a much clearer picture next week, a little further removed from the end of the month adjustments and after Monday's statement which will show a substantial increase in brokers' loans.

August 5, 1926

As I told you in my cable, I wired Governor Norman that we had the matter under consideration with the possibility of an early increase, though not likely this week, and just before the meeting to-day I received his reply saying that there was no early prospect of a change in his plans but greatly appreciating my cable which only confirmed the impressions that he got after discussions with you.

I had rather gathered from one of your letters that the Bank of England might reduce as soon as the coal strike is settled, and while that has not yet occurred, the papers indicate that virtually they have reached an agreement. Governor Norman's statement that there is no prospect of an early change in his plans will only make it easier for us to go up.

But in writing this, I am encroaching upon the report that you will probably get from some one else in the bank, and in any event it will be stale by the time it reaches you.

My best to you, as always,

Faithfully yours,

Kenje Harrison

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

GLH.MM

FEDERAL RESERVE BANK
OF NEW YORK

Personal

August 10, 1926

Dear Mr. Strong:

I am sending you copy of a letter which I have today written to introduce to Mr. Trotter Professor Luther A. Harr of the Wharton School of Finance, whom Congressman MacGregor has sent to us. I am also attaching copy of my personal letter to Mr. Trotter explaining the circumstances under which I have written the introductory note.

Miss Bleecker may have told you that Congressman MacGregor has written you two separate letters asking for a letter of introduction to Governor Norman for Mr. Harr. But rather than bother you with the matter, and in order not to run the risk of offending Mr. MacGregor, I wrote him saying that in your absence I would be glad to give Mr. Harr a letter to the Bank of England if he would stop at the bank on his way through.

While none of us here knows him, and while I saw him for only a few moments, he seemed to be a clean-cut, nice enough fellow, although, as his name implies, I imagine he is of German extraction!

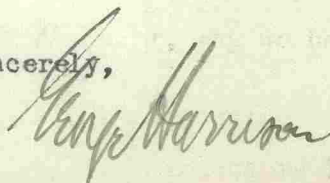
I am sorry to have bothered anyone at the Bank of England, but don't see how it could have been avoided. In any event, you may be able to explain, even in more detail than my personal letter to Mr. Trotter, why we have given any letter to Mr. Harr.

Incidentally, Mr. Harr told me that he had introductory letters to various people from Mr. Stotesbury in Philadelphia.

My best to you.

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

Sincerely,



FEDERAL RESERVE BANK
OF NEW YORK

August 11, 1926.

Dear Mr. Strong:

You will probably remember that when you and I appeared before the Clearing House Committee a year ago last May we were asked, among other things, whether we would be willing to give up the requirement of separate sorts of items drawn on branches of banks in our Manhattan, Bronx and Brooklyn clearing arrangement. At that time we pointed out to the committee the likelihood that if we should abandon the requirement of separate sorts for branch items those banks would withdraw from our list and would require separate presentation by hand over the counter of their respective branches. Some of the members of the committee, particularly Harry Ward, agreed with us that that would result and, in the end, it was unanimously determined by all present that we should not try to abandon existing sorts, but that we should not create any new branch bank sorts except in unusual circumstances. This conclusion we confirmed later by letter. So far so good.

When the new Clearing House Committee appointed a subcommittee this spring to consider changes in their procedure and in their constitution, they took up, among other things, this same question of branch bank sorts and Mr. Gregory, as Chairman of the committee, called upon me two or three times to discuss what was in the minds of the committee. At one time he indicated that he, personally, preferred to extend the branch bank sort to include all branches in New York. He said that a majority of his committee preferred sorts for none rather than sorts for all. He intimated on other occasions that the subcommittee would very likely conclude to ask the Reserve Bank to abolish the separate sort in our collection arrangement; and in the end that was done.

To be sure, in order to make their request effective, the subcommittee passed a resolution which they recommended to the full committee, which in substance required banks with branches on our list to sort separately for all branches of clearing house banks if the items were presented to the clearing house through the Federal Reserve Bank. I objected very vigorously to the apparent discrimination against the Reserve Bank and just before the meeting of the Clearing House Committee to consider the subcommittee's recommendation, I wrote a letter protesting that the clause which made their resolution applicable only to items presented through the Federal would leave such a loop-hole that it would not accomplish the purpose.

In the end the resolution was passed as originally presented to us, but with the recommendation to the Clearing House Association that it be not made effective until we had had time to take the matter up with our banks and to report back to the Clearing House. The Association took this action on July 7, and then, on July 27, before we had had an opportunity either to complete our studies or to report back to the Clearing House, we received a notice that the resolution was to become effective August 2. In my opinion it was a complete breach of faith on Gregory's part, and wholly unexpected because, inasmuch as all of the other recommendations of the committee were to be made effective August 2, we naturally assumed that the special provision about the branch bank sorts would not be made effective at the same time, since it was intended to hold that up until such time as we could report back. I immediately called up Gregory and asked him to ask Mitchell to postpone the effective date for a month, but Mitchell declined, and said that he did not think it even worth while to take the matter up with the other members of the committee.

On July 29 and 30 I had meetings with all our banks and told them formally of the resolution of the Clearing House which had been referred to in the newspapers. I indicated that the issue now appeared to be whether we should have sorts for all or sorts for none in New York City. Many of the banks said that

they sympathized with the decision of the Clearing House on the theory that it was

apparently unfair to require them to sort for branch banks when they had no reciprocal advantage for their branch banks, and in the end the great majority of the banks which I consulted indicated that they preferred sorts for none, rather than sorts for all, and asked me again to ask the committee to postpone the effective date of their resolution until September 1 in order to enable them to gear up their organization to take care of their own sorts.

I called on Mr. Mitchell on the 30th only to find that he was out-of-town, so took the matter up with Mr. Frew, who called a meeting of the Clearing House Committee that afternoon and sent for me to be present. I presented the request of our members and briefly explained the intricacies and complications that were resulting from the request of the committee, which explained our not having acted before the end of July. I pointed out that unless they postponed the effective date of their resolution they themselves would be confronted with the very embarrassing question on Monday of returning branch bank items that were not sorted or else of accepting them as at present, unsorted, and thus violating the terms of the Clearing House resolution. Mr. Ward and Mr. Frew were the only members present, although Mr. Simonson sat in for Mr. Mitchell. But they had Mr. Mitchell on the telephone four times during the meeting, and, in the end, decided to postpone until September 1.

The devil of it is now, however, that we face the possibility of disruption of our Manhattan, Bronx and Brooklyn clearing arrangement. The very day that I had my meeting with the Clearing House, asking for a postponement, the Central Union served notice on all banks in New York that inasmuch as the city collection department of the Clearing House had abandoned branch bank sorts, they would require hand presentation at each branch. I told the Clearing House that similar action by many of our banks seemed not unlikely, particularly in the case of the Manufacturers Trust. Since then the Empire has served notice on us that while they were perfectly willing to continue the present arrangement for whatever banks preferred to send their items through us, sorted separately,

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The devil of it is now, however, that we face the possibility of disruption of our Manhattan, Bronx and Brooklyn clearing arrangement. The very day that I had my meeting with the Clearing House, asking for a postponement, the Central Union served notice on all banks in New York that inasmuch as the city collection department of the Clearing House had abandoned branch bank sorts, they would require hand presentation at each branch. I told the Clearing House that similar action by many of our banks seemed not unlikely, particularly in the case of the Manufacturers Trust. Since then the Empire has served notice on us that while they were perfectly willing to continue the present arrangement for whatever banks preferred to send their items through us, sorted separately,

nevertheless they would require hand presentation at their branches for items not presented as at present through us.

Since the Central Union has required hand presentation, a number of the Clearing House banks have come to us to ask if we would not present their items for them, but we have insisted on maintaining the status quo for the present. If banks withdraw from our list and require hand presentation, I think we would be wholly justified in refusing to act for Clearing House banks which have forced us to agree not to require branch bank sorts in our Manhattan, Bronx and Brooklyn arrangements. The whole thing appears to forecast a jam later on, and only indicates to us, and I hope to the Clearing House banks as well, that they have acted much too quickly and that they would have done much better had they given us opportunity peacefully and amicably to work the thing out with our own member banks as we were trying to do when they suddenly announced that they would make their resolution effective August 2.

Some time ago Mr. Jay and I talked with Mr. Davison about his making immediate payment for checks drawn on the Central Union. While he has never reported back to us as he said he would, he told Mr. Jay last week that he hoped to call us up in a few days. I have little hope, however, that he will agree voluntarily to make payment in Federal funds, and sooner or later we may have to decide whether we want to require payment in that fashion. At the present time they are the only member bank not on the immediate list.

Another interesting angle is this: If the Public National, for instance, should withdraw from our collection arrangement and require hand presentations just as the Central Union has done, we would probably be justified in declining to collect such items for the Clearing House banks which have unanimously voted to ask us to abolish branch bank sorts. But I question whether we could decline to accept a deposit of such items from the Central Union, for instance, or any other bank that is not a member of the Clearing House which has not asked us to abolish branch bank sorts. In other words, the action of the Clearing House

was taken with the possibility of hand presentations in sight, and having forced that situation, they are in no position then to insist on what would be their right otherwise, to ask us to collect items on the Public National and its branches.

But in all of this I am merely thinking out loud. At present we are merely staying "put" . The Clearing House I think is already seeing reactions that we ourselves anticipated but which they apparently never even considered. Certainly in forcing a hurried action on the part of the banks in our Bronx and Brooklyn arrangement (we acted only as messenger or intermediary between those banks and the Clearing House Committee) they now find themselves in a position which is more bothersome and troublesome than the old situation, for they still have to make their sorts and instead of dumping all items on us they have to present separately by hand.

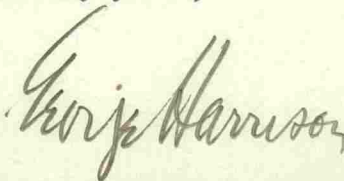
I have kept our directors advised of these developments and shall, of course, let you know of anything new that turns up.

Incidentally you may be interested to know that every member of the Clearing House Committee, and every member of the subcommittee which studied these matters is a representative of a bank with branches. Some of the non-branch banks are beginning to feel the whole thing was "packed." In the end it may only serve to increase the agitation that is at hand already among some banks to have the Federal Reserve Bank take over all the collections in the metropolitan area.

We all miss you at the bank, and hope that you are getting a reasonable amount of rest and relaxation, though judging by the amount of correspondence and traveling that you suffer it is probably most unlikely. In any event, don't worry about us or unduly hurry your trip for that would only tire you all the more and leave you in no shape to go on here when you do get back.

Faithfully yours,

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



FEDERAL RESERVE BANK
OF NEW YORK

August 12, 1926

Dear Mr. Strong:

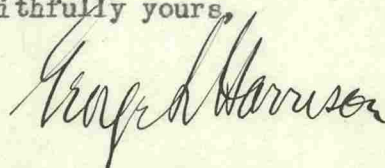
You will remember that some while ago I wrote you of Colonel Ayers' visit to my office about Mr. Baker's fee.

I forgot to mention to you that the last time I was in Washington Governor Crissinger told me that he has already received Mr. Baker's bill for \$35,000; that he asked me what I thought of it; but that before giving me opportunity to reply he said he himself thought it was a little steep and that he wished it had been made for \$25,000, rather than \$35,000.

I told Governor Crissinger that in my opinion, considering the time and effort that Mr. Baker spent, the fee did not seem immoderate, particularly when considering the value of the results to the Federal Reserve System. I also explained that had Mr. Baker given the same attention and time to a case for a commercial client of prominence, he would undoubtedly have been justified in charging a considerably larger fee than that charged the Federal Reserve Board. I added that in my opinion, if the only question in Governor Crissinger's mind was the difference between \$25,000 and \$35,000 it was not worth quibbling over and that I, myself, would be inclined to pay it.

Governor Crissinger did not state what he would recommend to the Board, and I have not since heard what has been done about it. I thought, however, in view of my earlier letter, I had better let you know of this development.

Faithfully yours,



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

FEDERAL RESERVE BANK
OF NEW YORK

August 13, 1926

Dear Mr. Strong:

Dr. Burgess has handed me the letter which you wrote to him on July 16 referring among other things to the fact that you have never received a copy of the record of the hearings before the Banking and Currency Committee subsequent to Dr. Miller's testimony. Through some misunderstanding Dr. Burgess once wrote you that the whole record had been sent. As a matter of fact, while we have forwarded everything that we received, we have never sent anything subsequent to Dr. Miller's testimony. I do not know now whether it will be possible to obtain a copy of the balance from the Federal Reserve Board, or, indeed, whether they themselves have got it, but I shall try the first part of the week to see whether it will be possible even at this late date to procure the balance of the hearings for you.

As we have cabled you, we raised our rate yesterday to 4%. The directors were unanimous in their decision. While Mr. Woolley had some feeling about ten days ago when the matter was discussed most informally that he then saw no occasion for an increase, and while there were one or two of the other directors at that time that wanted "to be shown," nevertheless all that were present at the meeting yesterday were unqualifiedly in favor of the increase. Mr. Woolley was not present, but I understand that he told Mr. Jay over the telephone that he would be glad to go along with the rest if they thought it advisable to make the change.

We are now planning a meeting of the Open Market Investment Committee for early next week (likely Tuesday) for while there may not be any real necessity for our selling any securities as long as discounts remain at a high enough level to make our present rate effective, nevertheless there are a number of aspects of the situation in connection with the Treasury's plans which should be discussed.

When Mr. Winston passed through here a week ago, he said that he needed not much more than \$250,000,000 on September 15; that he was loath to put out such

a small issue; and that what he hoped to do was to purchase about \$100,000,000 Thirds prior to September 15 and then to make a nine months' issue for some \$350,000,000. It so happens that we have \$25,000,000 Thirds in our System account, which he says he will be glad to buy. There are also \$15,000,000 scattered about in the separate investment accounts in two or three of the other Federals which he would also like to get. But either transaction makes a meeting of the Open Market Investment Committee advisable, particularly as there may be some inclination on the part of some of the members to replace securities sold to the Treasury. It seems to us, however, that these purchases by the Treasury, if made gradually, will accomplish most satisfactorily what we might want to accomplish by sales to the market from the System account. Any additional purchases that Mr. Winston might make in the open market will, of course, have no effect on the market itself, other than the slight change in reserve requirements.

Since starting this Mr. McKay has called up about some other matters and I have taken occasion to mention Mr. Winston's program to him. His immediate reaction was that while he saw no objection whatever to the sale from the System account, he thinks that we should replace gradually. I took the position with him that we should sell and then determine, after we see the effect, whether it would be advisable to replace or not. But all that will very likely be threshed out on Tuesday at the committee meeting.

Governor Crissinger is spending the week-end on Long Island and told his secretary he did not want to be disturbed, so we are communicating with him through his own office. I rather think he assumes that the next meeting of the committee is to be in New York, but before making arrangements and in order not to trespass on the agreement of last Spring with the Board, we are awaiting his formal

O. K.

this has now been given and he & James both plan to be in N.Y. for the meeting.

I forgot to mention that when we raised our rate yesterday we advanced the carrying rate for Governments from 3-1/2% to 4% to keep pace with the discount rate. But at Mr. Kenzel's recommendation made no change in the bill rates, which he

wants to maintain at the present level at least until next week.

Mrs. Shurtleff returned to the bank this week, and while she looks pretty well considering the miserable time she has had, I rather gather she is not at all strong and that she really has no right to be back at the office. Dr. Crawford feels, however, that considering Mrs. Shurtleff's temperament, it is much better to allow her to come back each day for a few hours than to insist upon her staying home alone. I suppose there is much in what she says. She has been a great sport about it all, particularly as she knows well enough that she is not out of the woods, and may not be for some time.

It is very hot and muggy, - most uncomfortable. I am glad you are out of it all. The temperature is not so bad, but the humidity is dreadful. I don't know when I have felt a summer as disagreeable as this one has been. We had a very bad storm yesterday. It stopped all the subways and surface cars, the Long Island trains and most every other means of transportation. While it was cooler for a while, today is about as bad as it has been. So take your time and don't come back until it cools off.

I understand Dr. Miller is on the water on his return trip!

Miss Bleecker, who is helping me during Miss McCarrick's absence, and I both send our best. We both certainly miss you.

Faithfully yours,

George L. Harrison

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

FEDERAL RESERVE BANK
OF NEW YORK

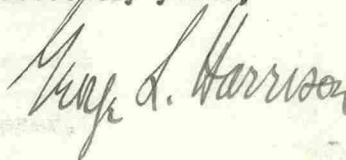
August 17, 1926

Dear Mr. Strong:

I find that we have already sent to you all of the record of the hearings before the Banking and Currency Committee that we have had with the exception of Dr. Burgess' statement, and a short statement by Major Bellerby. Dr. Burgess had only one copy of his own testimony, and had so many corrections to make in it that he preferred not to send anything to you until he has a final draft. Major Bellerby's statement was very short, and the only copy that we have seen is an original draft that belongs to the Reserve Board, which they have asked us to return to them.

In the circumstances, and until the Printing Office turns out some page proofs, there will be nothing more to send you. As I think I explained to you once, however, aside from the Burgess and Bellerby statements there is very little else that you lack.

Sincerely yours,



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

FEDERAL RESERVE BANK
OF NEW YORK

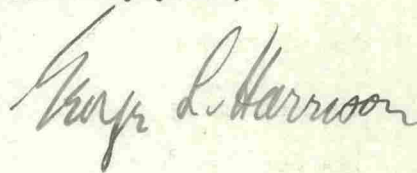
August 20, 1926

Dear Governor:

This is merely to acknowledge the receipt of your letters of July 21, 24, 26 and August 1, giving a running account of your experiences in France at that time. I have not yet had a chance to read them carefully and will reserve any comments concerning them until I have gone over them more carefully. I just want to let you know that I have received them, together with the copies of letters to Mr. Mellon all of which I have arranged to give to Mr. Winston next Tuesday. He is leaving Washington today and will not be back until that time.

Many thanks.

Sincerely yours,



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

P.S. Through an oversight this letter was not transcribed until August 30.

FEDERAL RESERVE BANK
OF NEW YORK

August 20, 1926.

Dear Governor:

Things happen so very quickly these days that it is difficult to tell you of them in any very logical sequence. To send a cryptic cable and then to follow it up with a detailed letter is most unsatisfactory, since the first is necessarily incomplete and the second unavoidably slow. Then, too, so many of us are writing you that it is difficult to avoid duplication. But in the circumstances I see no wholly satisfactory solution. It must be very confusing to you, however, particularly as busy as you are in that whirlpool on the continent.

Nothing very interesting has happened this week other than the Open Market Investment Committee meeting on Tuesday, about which I cabled you. I am assuming that the discussions pro and con concerning the rate change the previous week have been covered by Mr. Jay, but it is possible, in Burgess' absence, that the committee meeting has not been described.

As stated in my cable, Crissinger, James and McIntosh were present. McKay and Hutt substituted for McDougal and Norris respectively. And in Case's absence Sailer was in the chair. We presented a report which was prepared by Burgess, a copy of which I am enclosing. This report was read through and each member of the Board and of the Committee was requested to express his views. A majority favored selling \$40,000,000 from the System account (\$15,000,000 of which was to be obtained from Boston, Cleveland and Philadelphia individually in substitution for other of the System's maturities) to the Treasury between now and September 1.

Crissinger stated rather vehemently that he thought we should sell all of the System's holdings before October 1. He expressed very grave fears about the stock market, and, to use his own language, thought it was the rottenest

situation we have had in some time; that the market was honeycombed with pool operations on the part of people who were booming stocks to unload before election when they anticipate a democratic victory; and that the System should not be a party to providing funds for such operations.

McIntosh, on the other hand, said that he, himself, was not much worried about the stock market; that the stocks that were going up were ones of known earning capacity; and that, in any event, we perhaps paid too much attention to market operations.

Harding was in favor of selling the \$40,000,000 to the Treasury, but said he hoped that we would be able to replace in December so that we might enter the January period with at least \$300,000,000 in the account.

James said that he wished it were possible for us to purchase \$500,000,000 of securities without affecting rates, but he did not give sufficient explanation to indicate whether he was trying to differ with Crissinger or whether in fact he was perhaps "kidding". He said very little during the course of the meeting; contributed no suggestions; and made few, if any, comments other than to agree with Crissinger that we were a little tardy in raising our rate.

This raises an interesting question about which Crissinger, who has been here all of this week, has spoken to me. We, ourselves, began the serious consideration of a rate change about the middle of July. We watched the matter very carefully and made special studies and reports each week to the directors. It was on August 2 or 3 that Governor Crissinger called me on the telephone out of a clear sky to say that he thought we should raise our rate and sell \$75,000,000 of securities. I told him that we had had the matter under consideration for some time; that some of us thought that it should be done fairly quickly; but that we were a little hesitant until the picture was a little clearer and outside rates and conditions became a little more positive than they were at that time. I said also that we planned to cable you and get your views before taking any action. He said at that time that he had not talked with any other members of the Board and that he was expressing his

own personal views. It was on August 4 that I sent you my cable #43 concerning the matter. On that same day, I think it was, Crissinger had a meeting of the Reserve Board; told them of his conversation with me; and then let me know that the Board, by a vote of three to one, had expressed a willingness to approve a change. Hamlin, who was the one, said he preferred not to express an opinion until he had had a recommendation from us.

It now appears that the Board was very much put out that we did not change our rate the next day, August 5, and when James and Crissinger, at the Open Market Investment Committee meeting this week, expressed their vexation that we had not acted sooner, they apparently referred only to the fact that we had not acted a week before. I think it was perhaps more pique that we had not followed their express wishes than because they thought any serious harm resulted from the delay of a week.

I have explained in some detail since then to Crissinger personally why we did not raise, and emphasized the importance of having gotten your point of view about the foreign situation before we took any action. I think he, himself, at heart was wholly satisfied, but insisted that the Board (which I presume really means James) thinks we should have acted the week before. I lose all patience with them, because I am confident that not a one of them could have made a decent argument for the raise at the time that they expressed a willingness to approve an increase.

Crissinger does feel still, however, that we perhaps should have sold some securities some six weeks ago, though he had never intimated this in any of his discussions with us until his telephone conversation of August 3. Indeed he had not indicated that he had any thought about the matter whatever. The truth really is, I think, that somebody has been talking to him about the stock market and given him quite a scare. I infer this from various remarks that he let drop about pool operations, member bank speculations, and even suggestions which he made that he thought it would be advisable if the directors of

Federal Reserve Banks were not allowed to deal in the stock market!

One more thing, and quite a distressing one. After all our efforts to keep wholly and completely confidential the incoming shipments of gold from Australia for account of the Bank of England, the New York Evening Post on Tuesday night of this week (that is the 17th) ran an article purporting to be a wireless from London to the effect that the current shipments of gold coming to San Francisco from Australia were for account of the Bank of England under arrangements with the Commonwealth Bank of Sidney. The next day at 10:00 o'clock the Dow Jones ticker service, under a San Francisco headline referred to the fact that \$30,000,000 gold had been imported into this country for deposit with the Federal Reserve Bank of New York for account of the Bank of England. I immediately cabled Governor Norman as per the enclosed, and yesterday got his reply, # 63. We have today sent off an answer, #51, which is also enclosed.

At first I really was perturbed lest the news might have leaked out in San Francisco, but I am quite confident now, although I have not yet had confirmation from Governor Galkins, that that is not the case. At any rate Norman himself believes, as I think must be true, that the report originated with the Financial News in London. In any event, wherever it started, it certainly has stirred up a lot of comment in the press and elsewhere. Everyone has been trying to find out something about the matter, but we have thus far maintained our position that we have no statement to make one way or another. While, in response to Governor Norman's request for any suggestions we might have to offer, I have indicated the possibility of informal and confidential chats with the news reporters before the next shipment comes in in September, I would not care to attempt even such an informal talk unless I have a little more definite word from Governor Norman as to what he would like to have us say. But that is entirely up to him. We shall, of course, do nothing directly, indirectly, or confidentially except upon his request and authority.

The whole episode, however, has evidently been quite embarrassing to

him, and a little embarrassing to us too because of the fact no one seems to understand the mechanics of the operation, or the effect upon the money market. We are now investing the proceeds of the gold in securities out of our Open Market account, so that there is no effect whatever on the market, but of course we cannot make a statement about that.

You may remember that some time ago I told you that there was some comment from Sidney about shipments of gold to this country, but it was not until the reports this week that any mention was made of us or of the Bank of England. I mention this, however, to indicate that the first two newspaper references to the transaction were from points outside of this country. An unusual record!

I am describing this in some detail merely because Governor Norman will no doubt want to talk to you about it when you see him in London. I am of course sending him a set of the newspaper clippings.

Everything seems to be running along pretty smoothly now that we have got the rate increase and the Open Market meeting out of the way. Case is still on his vacation and while Burgess has been called back for both the rate change discussions and the Open Market meeting, he is now finishing his vacation somewhere on the Jersey shore. The rest of us are still on deck, and feeling very fit.

I only hope that you, yourself, are really feeling better, as you seem to indicate. There is no use preaching to you, but I do hope you will not overdo it for the rest of the time you are there.

My best, as always.

Faithfully yours,

George F. Harrison
G.F.H.

dictated but not read.

Benj. Strong, Esq.,

FEDERAL RESERVE BANK
OF NEW YORK

August 25, 1926

My dear Governor:

This will acknowledge your confidential letter of July 29, enclosing a confirmation of the cable which you sent me concerning Dr. Miller's testimony. As I wrote you on August 5, I fully agree with you as to the importance of eliminating from the record any reference to the status of the Reichsbank's account with us. The only question which I have had in my mind has been - what would be the most effective and yet the most inconspicuous way of accomplishing it.

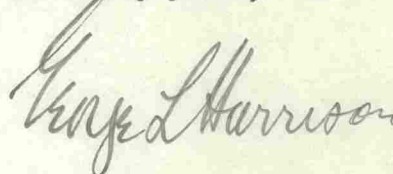
After considering various possibilities, I finally took the matter up with Dr. Goldenweiser personally and learned that when Dr. Miller went abroad he left the editing of his testimony to Goldenweiser and Perry. When I explained the matter to Goldenweiser, he told me that he remembered having seen the statement but that he thought that either he or Perry eliminated it from the galley proof. Not wishing to take any chance, however, I urged upon him the importance of verifying that fact. He has since told me over the telephone that the galley has not yet gone to the printer and that Mr. Thompson (McFadden's secretary) has agreed to let Perry look through it in order to make the correction, if it is needed.

I impressed upon Dr. Goldenweiser the importance of keeping my name out of any action that he might take regarding this testimony. He understands the situation fully and will, I know, handle it discreetly. In the circumstances, I think this will prove to be the simplest and most effective way of correcting a bad situation.

August 25, 1926

It still leaves open, however, the possibility of future breaches. In this regard, I have carefully gone over all the statements and reports issued by the foreign department - whether to other divisions in this bank or to the Federal Reserve Board or other Federal reserve banks. Already we have eliminated or modified a number of the statements, but it will be impossible for us to accomplish what we want with regard to the other Federal reserve banks or even the Federal Reserve Board until we have an opportunity of talking it over with the Governors first. My only idea is that we might well make a frank statement of the importance of the strictest confidence in handling our foreign accounts and through prearrangement, or otherwise, we may ~~have~~ have some one of the Governors suggest the elimination of much of the detail that we now send them at their request. But I want to assure you we have the matter in mind constantly and are vigorously doing our best to jack up our procedure. I feel much better satisfied about it now than I did sometime ago, although there is still more to be done.

Faithfully yours,



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

GLH.MM

FEDERAL RESERVE BANK
OF NEW YORK

August 26, 1926

Dear Mr. Strong:

I want to thank you for your letter of August 11 from Amsterdam, concerning the taxes on income earned from bills purchased for the account of foreign banks.

We have been receiving reactions on this subject from all directions, undoubtedly prompted largely by the fact that during the last winter we sent a copy of the income tax law to each one of our foreign correspondents calling attention to those provisions which might concern them. This, you will remember, was in accordance with discussions which I remember that you and Mr. Case and Governor Norman all had together concerning our obligations to our foreign correspondents in informing them of their possible ^{tax} liability to this Government.

I have talked with Mr. Winston about the possibility of a new ruling on the subject, but on this there is not much chance of having the present one reversed. However, in response to a request from Mr. Alexander for suggestions for the Advisory Council meeting to be held on September 17, I have drafted the enclosed memorandum which may start something. The situation at present is wholly illogical and unreasonable and even if it is impossible to have the Treasury Department modify its present interpretation of the law, I rather think we should not have much difficulty in procuring an amendment to the law at the proper time. I am also placing the topic on the program for the Governors Conference.

Faithfully yours,

George Harrison

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

TAXES ON THE INCOME RECEIVED FROM BANKERS ACCEPTANCES
HELD BY FOREIGN CORPORATIONS

Under the provisions of Section 230 of the Revenue Act of 1926 as construed by the Internal Revenue Bureau, a tax of 13 1/2% is imposed upon the discount received by any foreign corporation from American bankers acceptances. Section 217 of that Act, however, exempts from taxation any interest on bank deposits received by a foreign corporation not doing business within the United States and not having an office therein. Under the terms of Section 236 interest upon obligations of the United States is not subject to tax.

Entirely apart from the fact that there seems to be no logical basis for taxing the income from investments in the form of bank acceptances while exempting the income from investments in the form of bank deposits, the practical effect of this discrepancy in the law is to force foreign banks having surplus funds in this market to invest in government securities rather than in, or to the exclusion of, bankers acceptances.

Already serious criticism of this provision of the law has arisen in various foreign countries, and the ultimate effect may be seriously to handicap the free development of the dollar acceptance and to drive foreign funds to London where their employment in the local discount market would not be subject to tax.

Because of the importance of this matter to the continued use and marketability of dollar acceptances, it is

SUGGESTED That the Federal Reserve Board take such steps as it may feel to be appropriate in the circumstances to urge either an amendment to the present rulings of the Internal Revenue Bureau or, if necessary, an amendment to the law in order to exempt from taxation the discount received from American bankers acceptances just as interest upon bank deposits is now exempt when received by foreign corporations not doing business and not having an office within the United States.

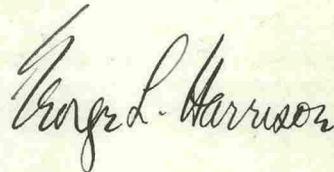
FEDERAL RESERVE BANK
OF NEW YORK

August 30, 1926

Dear Mr. Strong:

In your letter of August 3 from Amsterdam, you refer to the resolution, about which I wrote you, that was introduced in the Federal Reserve Board inquiring into the authority of your trip abroad. I think that I have told you in one of my earlier letters that that resolution, while introduced, was never formally considered and eventually was dropped entirely. Incidentally, I think the feeling in the Board at the moment is perhaps better than it has been at any time, about their being kept advised of your trip and your doings in Europe. I certainly have done all that I could to keep them informed without at the same time unduly burdening them with details that would only befuddle the main issues and that might much better await your return for exposition in a long consecutive story when you yourself are able to tell it.

Faithfully yours,



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

GLH.MM

THIRTY THREE LIBERTY STREET

NEW YORK

is really improving though I realize that Dr Muller (J. A!) will have a large voice in guiding you in that regard.

It is getting late and I must be starting home. I certainly do miss you and am glad you are getting "home sick" (See your #63)! As I stated in my 52 the feeling in favor of your returning as soon as you have done all that is "necessary"

persuades us all. There is still so much public comment about both you and Hullon that I cannot help but think that the sooner you can leave, now that you are finishing your discussions with Wrean, the better it will be and the less likelihood of future criticism. It will indeed be good to see you back here, and to hear directly from you all that you have done and seen. But first of all take care

of yourself, get what reports you can and come back feeling you did well again. Even the "yellow memos" will be welcome!

My best to you as always,

Sincerely yours,
Frank B. Rowan

Of course, his name is etched on it if
both C's depart - one to make the
job ~~to~~ vacant, the other to open up
the Chicago district. Sidney Anderson
would I think fill the bill most
excellently and would perhaps satisfy
the dirt farmers as well. But, would
he take it? I doubt it, somehow.

The question of a successor, however,
is ^{still} the all important factor from your
standpoint. I am assuming from
your letters and cables that your health

THIRTY THREE LIBERTY STREET
NEW YORK

Should start with about \$400,000 with
a bonus of some founders' or managers'
stock. I warned him of some of the
pitfalls, the possibility that they wanted
his name only through the early stages
and that they might then ditch him,
the importance, in that particular field,
of having only the best names
as directors and backers and the fierce
war and fear here in New York. He

said he had all those things in mind, that so many of the 'baders' in this case were his own personal friends, that the founders stock gave him a measure of assurance as to continuity and that physically he felt even so much stronger.

So, it may be a go. I hope so. It will solve a number of problems - or at least afford the opportunity for their solution. But I do not yet see the right man for his job. You

yourself suggested it to Grinster, but while I personally have always liked him he is not generally popular throughout the system. I was though that he is being liked better in Washington. Whether he is changing his surface or whether this is coming through it, I do not know. However all that may be, he himself has brought off the suggestion as out of the question. I imagine he might write another time if the job were offered him!

of his, that the ~~comp~~ paid in capital
would be \$2,000,000 and that the proposed
directors had over \$700,000 of premiums
to throw to the company as soon as
it opened for business. The salaries
had not been discussed when C talked
with me but since then he has
had other talks with the promoters
and something further may have
developed about which C will
likely tell me when next I see him.
In his own mind, he thought to

THIRTY THREE LIBERTY STREET
NEW YORK

Wednesday, September 1st
1926

Dear Mr Stone:

While I do not yet know just
when you plan to sail, it is likely that
this will be my last letter to you unless
I hear you plan to stay beyond the
15th. I am writing this by hand for
two purposes - first, to thank you
for your fine long handwritten letter
full of "atmosphere" and the most
satisfactory reports of Moore & Herron and

secret, to give you a hint private
tip about Cassens. When he was
here about ten days ago I had a
long personal talk with him. He
revised the System, the Board and
the Board in some detail and as
usual he dilated upon the difficulties
he has in Washington, the lack of
friends, his unhappiness there and
his complete lack of sympathy with
other Board members personally. He then
told me in the strictest confidence

what I told him I might tell you under
oath of secrecy that he has been offered
a job up here that is now in the process
of negotiation. He naturally does not want
to discuss it prominently (he hasn't told
a soul in Washington, he said) since ~~it~~
a failure to materialize might only result
in embarrassment. It is the presidency
of a new industrial company now being
promoted. He did not tell me who are
the backers but said they were "all good
men" some of them personal friends

COPY OF HANDWRITTEN LETTER FROM MR. HARRISON
TO GOVERNOR STRONG. ENVELOPE MARKED "PERSONAL"

Wednesday, September 1st,
1926

Dear Mr. Strong:

While I do not yet know just when you plan to sail, it is likely that this will be my last letter to you unless I hear you plan to stay beyond the 15th. I am writing this by hand for two purposes -- first, to thank you for your fine long handwritten letter full of "atmosphere" and the most satisfactory reports of Moore and Warren and, second, to give you a most private tip about Crissinger. When he was here about ten days ago, I had a long personal talk with him. We reviewed the System, the Bank, and the Board in some detail and, as usual, he dilated upon the difficulties he has in Washington, the lack of friends, his unhappiness there, and his complete lack of sympathy with other Board members personally. He then told me in the strictest confidence what I told him I might tell you under oath of secrecy that he has been offered a job up here that is now in the process of negotiation. He naturally does not want to discuss it promiscuously (he hasn't told a soul in Washington, he said) since a failure to materialize might only result in embarrassment. It is the presidency of a new indemnity company now being promoted. He did not tell me who are the backers but said they were "all good men," some of them personal friends of his, that the paid-in capital would be \$2,000,000, and that the proposed directors had over \$700,000 of premiums to throw to the company as soon as it opened for business. The salary had not been discussed when C talked with me, but since then he has had other talks with the promoters and something further may have developed about which C will likely tell me when next I see him. In his own mind, he thought he should start with about \$30,000 with a bonus of some founders' or managers' stock. I warned him of some of the pitfalls, the possibility that they wanted his name only through the early stages and that they might then ditch him, the importance, in that particular field, of having only the best names as directors and backers, and the fierce wear and tear here in New York. He said he had all those things in mind, that so many of the 'backers' in this case were his own personal friends, that the founders' stock gave him a measure of assurance as to continuity and that physically he feels ever so much stronger.

So, it may be a go. I hope so. It will solve a number of problems--or at least afford the opportunity for their solution. But I do not yet see the right man for his job. You yourself suggested it to Winston, but while I personally have always liked him, he is not generally popular throughout the System. I hear, though, that he is being liked better in Washington. Whether he is changing his

surface or whether they are seeing through it, I do not know. However all that may be, he himself has laughed off the suggestion as out of the question. I imagine he might whistle another tune if the job were offered him! Of course, his name is eligible only if both C's depart -- one to make the job vacant, the other to open up the Chicago district. Sidney Anderson would, I think, fill the bill most excellently and would perhaps satisfy the dirt farmers as well. But, would he take it? I doubt it, somehow. The question of a successor, however, is still the all important factor from your standpoint. I am assuming from your letters and cables that your health is really improving, though I realize that Dr. Miller (J. A!) will have a large voice in guiding you in that regard.

It is getting late, and I must be starting home. I certainly do miss you and am glad you are getting "home sick" (see your No. 63)! As I stated in my #2, the feeling in favor of your returning as soon as you have done all that is "necessary" pervades us all. There is still so much public comment about both you and Mellon that I cannot help but think that the sooner you can leave, now that you are finishing your discussions with Moreau, the better it will be and the less likelihood of future criticism. It will indeed be good to see you back here, and to hear directly from you all that you have done and seen. But first of all take care of yourself, get what respite you can and come back feeling your old self again. Even the "yellow memos" will be welcome!

My best to you as always,

Faithfully yours,

(Signed)

GEORGE HARRISON

FEDERAL RESERVE BANK
OF NEW YORK

September 9, 1926.

Dear Mr. Strong:

This is in further reference to your letter of August 26, replying to mine of August 11, about the Clearing House Committee's action on branch bank sorts.

The September 1 period has passed without any very serious break in our line-up to date. As I wrote you, the Central Union Trust Company withdrew from the City Collection Department of the Clearing House when they learned that they were no longer to have the benefit of branch bank sorts. In other words, the Clearing House lost 100% of the banks affected! We, on the other hands, have to date lost only one out of 20 odd which have branch banks, that is, the Empire Trust Company. That is not at all surprising because, as you know, the Empire Trust was one of the last to come on our list, and prior to that time they had received their items on their branch banks over the counter. They have, therefore, returned to the position they occupied prior to their coming on our list. I rather suspect, however, that we may possibly still lose the Municipal Bank, which has some branches in the far distant suburbs. But even if they go, it will not be very material. I am not sure whether I told you that we were able somewhat to modify the effect of the abolition of branch bank sorts by providing for a delay in the return of "not good" items from branch banks in the outlying districts, beyond the 3 o'clock hour heretofore in force. This has enabled many of our banks to get all their items in bulk, sort them by branches, and return "not good"

items later in the day, so as to be at the Reserve bank before midnight. We have protected ourselves, however, by requiring service of notice from the main office in writing before 3 o'clock of any such items that are to be returned by midnight. In any event, our casualties to date have been less than 5%.

The real problem is as you suggest: what to do about the Central Union Trust Company. To date, we have maintained the status quo and declined to collect by hand for Clearing House banks, checks drawn on the branches of the Central Union, those items having been collected through the City Collection Department in the past. We felt that until we have had an opportunity to discuss the whole matter with Mr. Davison, it would be better not to alter our relations one way or another with the Central Union. That being so, Clearing House banks now have to present items on the Central Union and its branches by hand. Immediately after all of this occurred, we got in touch with Mr. Davison and asked him if he would not be good enough to renew the conversation which Mr. Jay and I had with him early in the spring, before he went abroad. He said that he had just returned to the bank after a vacation, that he was not at all familiar with the situation and that he preferred to delay a talk with us until he could familiarize himself with all its aspects.

Not having heard anything more from him, we telephoned him again about two weeks ago only to learn that he had gone out of town. I plan, however, to call him again next week, not with a view to forcing any issue, but merely to go over the whole matter with him, indicate the embarrassment we are now faced with in declining to accept items on his branches for collections for account of Clearing House banks, and also emphasize again what we discussed at some length last spring - the continued embarrassment that we have in the fact that the Central Union is the only member bank in New York City whose items are not collectible by us on an immediate basis.

September 9, 1926

In this connection, Mr. Davison seemed fairly sympathetic with our point of view when we first discussed it with him. He pointed out, however, that it was not directly within his bailiwick and that he preferred to talk it over with his operating men after his return from Europe. It will be only to pursue this earlier quite amicable discussion that we shall call on him next week. If anything appears to reach an issue or there is any sort of indication of embarrassment either to Mr. Davison or to ourselves, I shall back-water pending your return! I do not think there is anything in the situation at the moment which would call for their withdrawal from the System, since we are not insisting on immediate payment. The only thing that we might properly require from them as a member is immediate payment and we are not now requiring that, in any event.

But I shall let you know if anything happens.

Faithfully yours,



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

P. S. Incidentally, you may be interested to know that the Clearing House is to put into effect on Monday, a plan for clearing coupons! This is one of the matters which I suggested to the sub-committee when I first appeared before them sometime ago and which indeed we took up with them years ago when we first drafted a plan here in the bank. While there are some difficulties attendant upon this plan, they are going to establish it only gradually and I think it will develop most satisfactorily with experience. I do not think we can claim credit for this move because I really believe the committee had it in mind even before my meeting with them. But it may well be that some of our earlier discussions with some of the individual members of the sub-committee may have helped to facilitate action.

Miss Bleecker

Do you want to keep this with
your other corres. We have just sent the
Governor a copy of Morrow's testimony.

MMcC.

FEDERAL RESERVE BANK
OF NEW YORK

September 9, 1926

Dear Mr. Strong:

This will acknowledge your letter of August 26, which among other things refers to Dwight Morrow's testimony before the Senate Finance Committee.

Sometime before Mr. Morrow sailed for Europe, I asked him whether he could give me a copy of the testimony to send to you, since I knew how much interested you would be. He explained that there was at that time only one copy in existence, but that he would be glad to give me a transcript of his testimony for you as soon as he had corrected the copy which the committee had sent to him. I have since learned from Mr. Leffingwell that the copy has never been corrected and that there are no spare copies in existence. In the circumstances, I could not ship any along to you, and at Mr. Leffingwell's suggestion, I myself have not read the only available copy since it has not yet had the benefit of Mr. Morrow's corrections.

But all this can well await your return when I imagine, as you suggest, there may be a real possibility of your being asked to testify before the committee.

I presume we will never get through with our Washington appearances.

Faithfully yours,



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

GLH.MM

CHIEF FOREIGN OFFICE
PARIS
10 SQUARE DESNOUETTES
(19 BOULEVARD VICTOR)
CABLE ADDRESS: WHEAT

WHALEY-EATON SERVICE
"A CAPITAL INSTITUTION"
FOUNDED 1918

770
WASHINGTON, D. C.
MUNSEY BUILDING

TELEPHONES:
FRANKLIN { 7679
7727

Letter Book

Foreign Letter No. 386.
(All rights reserved.)

Information furnished
by our European Bureau.

For Clients Only.

September 7, 1926.

Dear Sir:

1. There are two statements in the report of the Indian Currency Commission which continue to cause widespread comment in European financial circles.

We quote them:

- S
- a. Though signs are not wanting of a spirit of cooperation among the (European) Central Banks towards effecting considerable economies in the international use of gold, there can be no doubt that a large extra demand from India would cause increased competition for gold among the countries of the world and lead to a substantial fall in gold prices and a substantial curtailment of credit.*** We consider that the stock of "free" gold in America cannot be regarded as superfluous and will probably be absorbed in a comparatively short time.
 - b. Both authorities (Governors Norman and Strong) view the proposal (of gold credits to India) with alarm on the grounds that it would retard the progress of monetary reconstruction in Europe, would upset world prices, and would be fundamentally harmful both to India and to the rest of the world. ***Insuperable difficulties would be encountered in obtaining the necessary credits.

The first of these statements is taken to mean that the Commission, with full information before it, concluded that the prospective Norman-Strong plan for international use of gold was certain to go through, wherefore, in a comparatively short time, gold now "warehoused" in America will be put to work. It is expected that this can be done without any great curtailment of credit, but only if India is left out of the picture. In regard to the second statement, America declined absolutely to participate in any scheme which would divert to India credits urgently required in Europe.

2. COMMENT: To put American "superfluous" gold into active employment will tend inevitably, in the opinion of European economists, to strengthen greatly the

770

Foreign Letter No. 380.
(All rights reserved.)

Information furnished
by our European Bureau.

For Clients Only.

July 27, 1926.

Dear Sir:

1. The idea is so prevalent in Britain that America is asking for British West Indian possessions, in order better to control the smuggling of liquor, that a popular song has been parodied to say, "Yes, we have no Bahamas."
2. PAYMENTS IN KIND: The suggestion of Poincare that France may ask America to accept payments in kind is important. Caillaux was once credited with the remark that France would pay every cent if the United States would take payment in champagne. American officials are so far declining even to consider any proposals that look toward the breaking-down of the tariff barrier.
3. REHABILITATION: It has come to be commonly accepted that the Briand Government was in sympathy with a gradual decline in franc values, thinking this the best way out for France. Poincare is made of sterner stuff. If there is one thing he does know how to do it is fight. Neither he nor any of his advisers, it is probable, really believes that financial rehabilitation is possible through internal effort only. Outside aid must be got; wherefore, the present Poincare policy must be considered not as a permanent program but as the building-up of additional trading material. "Better terms for France." Poincare is considering the adoption of a gold accounting unit for treasury and budget purposes. That would be a marked step toward stabilization.
4. EPOCHAL: The formula for stabilization will chart the course of business and industry over the next half-century. The importance of the negotiations justifies the secrecy that is exacted, just as it explains why each nation

2.

7/27/26.

involved is making every move with extreme care. An authority who is intimately connected with the situation advises us:

The main idea behind the presence of high American financial personages in Europe consists in exploring the possibilities for a vast capital exportation from the United States, accompanied by the introduction of American technical methods in all processes of manufacturing and distribution. The present American debt policy conflicts with the realization of this project. It is clear now that this debt policy is to be changed, but it is valuable temporarily as a bargaining weapon. The course of events will probably be as follows: First, Secretary Mellon will informally and separately talk with other Finance Ministers; Second, there will be formal meetings of the governors of the various banks of issue; Third, international bankers will meet, and the widest publicity will be given their deliberations after agreement has been reached by the various diverse elements in regard to future procedure.

As a practical thing, the whole program for a "Financial Locarno" rests in the hands of Governors Norman and Strong, who think of the problem as fundamentally a banking one. Neither of these gentlemen appears to have been at all impressed by sentimental appeals. There is responsible authority that can be dealt with now in Rome and Brussels. It will not be long before there will be similar "authority" with which to deal in France.

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

CABLE ADDRESS: WHEAT

WHALEY-EATON SERVICE

"A CAPITAL INSTITUTION"

FOUNDED 1918

WASHINGTON, D. C.
MUNSEY BUILDING

TELEPHONES:
FRANKLIN { 7679
7727

reuzel
American Letter No. 420.

September 18, 1926.

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For Clients Only.

Dear Sir:

5. MELLON-STRONG: Reports persist that tentative decisions of decisive importance were reached by Secretary Mellon and Governor Strong, in Europe. No positive proposals from either one of them, we understand, have reached Washington. Criticism of negotiations with the French is: "They talk too much." Washington would be extremely reluctant to grant any such revolving credits to France as were granted to Britain. A ranking diplomat tells us that "the tentative arrangements made indicate that the new conditions contemplated will not obtain until next spring."

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Sept. 23, 1926 192TO Dr. BurgessFROM G. L. Harrison

SUBJECT: _____

Received
SEP 24 1926

W. R. B.

While I have received no direct reply from the Governor concerning the suggestion that we allow the bank reporters to run a personal news item concerning his return, nevertheless in a wireless which must have crossed mine, he stated that his name is on the passenger list, so that the news will necessarily come out in any event, and I see no reason why you should not authorize its release by those fellows to whom you have already given it in confidence.

RECEIVED
FEDERAL RESERVE BANK
OF NEW YORK
JUN 25 1926

... in confidence ...
... and I see no reason why you should not ...
... the name of the ...
... the work ...
... the collection ...

M B B

SEP 24 1926

RECEIVED

CORRESPONDENCE

SEP 24 1926

FEDERAL RESERVE BANK
OF NEW YORK

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Sept. 28, 1926 192To Governor Strong

SUBJECT: _____

FROM L. Harrison

I telephoned to Governor Crissinger this afternoon referring to your earlier conversation with him, and repeated that you would be glad at any time after our directors meeting on Thursday, to have a talk with the Federal Reserve Board about your European trip, if they care to have you do so. I told him that you preferred to have the Board fix the time.

Governor Crissinger told me that Mr. Hamlin will be out of town all this week and that there would probably be more chance of having a full meeting of the Board on next Tuesday than on next Monday. He accordingly suggested that you go down on Tuesday. I told him that I knew that would be agreeable to you and that we would consider it settled for Tuesday.

GLH.NM

WESTERN UNION

BROADWAY
0540-3

DEC 4
AM 1:53

SYMBOLS	
BLUE	Day Letter
NITE	Night Message
NL	Night Letter
ICO	Deferred
CLT	Cable Letter
WLT	Week End Letter

ICE
Full-rate
or Cable-
m unless its char-
ter is indicated by
symbol in the check
r in the address.

NEWCOMB CARLTON, PRESIDENT

J. C. WILLEVER, FIRST VICE-PRESIDENT

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

received at

E61CC 6C RADIO

SS MAURETANIA RCNY 15

BENJ STRONG

270 PARK AVE NEWYORK

FEELING VERY FIT AND HOPE YOU ARE TOO

HARRISON

135A DEC 4 1926

Harrison B

1926

57

[From Harrison Collection]

I shall be glad to hear that I shall be able to give you the copy
of the report of the committee that we have had for the day. I shall be
glad that we have all signed you dreadfully.

December 29, 1926.

In the meantime, I hope to see you all before you return for

Dear Mr. Strong:

This is just a hasty note which I am anxious to ship off on the one
o'clock train to let you know that I have just received a cable from Governor
Norman saying that he expects to sail within two weeks and wishes to return to
London by February 6.

That, of course, makes the date of his arrival here somewhat uncertain
but I assume for the moment that it will not be so soon as to make it necessary
for me to change my plans to go to you early next week.

As I am anxious to have at least one more talk with you before Governor
Norman arrives, my present plan is to arrange to see Secretary Mellon sometime
Monday, January 3, and leave Washington that night for Asheville. I hope that
will be entirely agreeable to you.

I rather imagine from something Mr. Morgan said last week that when
he learns of Mr. Norman's plans, he will want him to stay with him that part of
the time he is in New York. I wonder, however, whether you might not want to
offer your apartment to Mr. Norman. He has been there before, is used to it,
and might prefer to stay there rather than to visit some one else. If you would
like to have me act for you, I shall of course be only too glad to move over to
the apartment myself while he is there, although I am not making that as a sug-
gestion.

As I may go to Washington on Saturday, you might ask Phil to telegraph
me if there is any message you want to reach me before I leave here.

December 29, 1926

I shall see you so soon that I won't try now to give you the news or even a report of the parties that we have had for Mr. Jay. Suffice it to say that we have all missed you dreadfully.

In the meantime, my best to you and all sorts of good wishes for the New Year.

Faithfully yours,

[Harrison]

Mr. Benj. Strong,
Grove Park Inn,
Asheville, N. C.

FEDERAL RESERVE BANK
OF NEW YORK
F.N.B. of N.Y.

SENT BY G. L. Harrison

(DAY LETTER)
COPY OF TELEGRAM

SEND TO FILES

[From Harrison Papers]

Mr. Philip G. Strong
Grove Park Inn
Asheville, N. C.

[Dec 31, 1926]

Please let me know when it will be quite convenient to have me go to Asheville. I am able now to leave here at any time but as I would prefer first to see the Secretary on his return to Washington latter part of this week and as nothing has transpired to make haste necessary, I am wondering whether sometime next week would be wholly satisfactory at your end. Best to you both

George Harrison

FEDERAL RESERVE BANK
OF NEW YORK

[From Harrison Papers]

SENT BY Mr. Harrison

COPY OF TELEGRAM

RECEIVED
FEDERAL RESERVE BANK
OF NEW YORK
JAN 14 4 06
SEND TO FILES
WIRE TRANSFER DIVISION

January 14, 1937

Benj. Strong
Telephone Ashland 7095
Biltmore, North Carolina.

Monty and Dick left at one forty five today arriving Biltmore ten ten
tomorrow morning No news here but we all send our best

Harrison

FEDERAL RESERVE BANK
OF NEW YORK

[From Harrison Collection]
Jan. 17, 1927

Mr. Harrison

SENT BY

SEND TO FILES

COPY OF TELEGRAM

Benj. Strong

Telephone Asheville 7395
Biltmore North Carolina

Lubbock and I leave tomorrow arriving Biltmore Wednesday morning

Please reserve compartment for me returning Wednesday and alternate
reservation for Thursday

Harrison

TELEGRAM
JAN 17 1927
FEDERAL RESERVE BANK
OF NEW YORK

FEDERAL RESERVE BANK

OF NEW YORK
F. N. Bank

SENT BY G. L. Harrison

SEND TO FILES

COPY OF TELEGRAM

Feb. 4, 1927

Benj Strong
Telephone Asheville 7095
Biltmore, North Carolina

Monnet and I both arrive Biltmore Sunday morning

ten ten Please reserve drawing room returning Monday afternoon

HARRISON

From Harrison Papers

FEDERAL RESERVE BANK
OF NEW YORK

[From Harrison Collection]

SENT BY Mr. Harrison

SEND TO FILES

COPY OF TELEGRAM

RECEIVED
FEB 28 1927
FEDERAL RESERVE BANK
OF NEW YORK

February 28, 1927.

Benj Strong
Telephone Asheville 7095
Biltmore North Carolina

Rayburn cannot get off this week. I am leaving for Washington this morning and will arrive Biltmore Monday morning. Warren not going. The others will arrive Tuesday morning.

HARRISON

FEDERAL RESERVE BANK
OF NEW YORK

March 15, 1927.

PERSONAL AND CONFIDENTIAL

Dear Mr. Strong:

I believe I forgot to tell you that on one of my visits to Washington, Mr. Hamlin told me that he was very much perturbed by the Wall Street Journal article concerning the Board's future centralization program. He said that, while he was quite certain the article was inspired by one of the members of the Board, he himself did not agree with it and would never support such a program. He also stated that he could not believe that Mr. Mc Garrah would take kindly to the article or would permit himself to be made the Board's "rubber stamp" in New York, and that both Mr. Mc Garrah and the directors, in his opinion, would make it impossible for the Board, even if it voted as a whole, to carry out the program referred to in the article.

At his request, I sent him several copies of the article, which he said he wanted to discuss with Senator Glass. I have learned subsequently, on my last trip to Washington, that Mr. Glass is irate about the article and is determined to write a letter to the Secretary of the Treasury saying that if the article reflects the point of view or intentions of the Federal Reserve Board, he is sorry he ever voted for an extension of the charters, and that he is determined to take appropriate action at the next session of Congress if the article really reflects the Board's opinion.

I do not know whether he has actually sent such a letter to the Secretary as yet, but Mr. Hamlin assures me that it is his firm intention to

do so. I thought you would be interested in the development. It may well be that we will find the article a blessing in disguise, because it now affords the opportunity to "smoke out" its proponents.

Sincerely yours,

George L. Harrison

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

West Chop, Massachusetts
Martha's Vineyard Island

Ack of Harrison

24/27
B.S.

August 18th 1927

Dear Governor:

I was glad to get both of your letters, the 15th and 16th and to get a cross section of what's going on there. While I am thoroughly relaxing in this set-up that I know now I needed so much, I do miss you all and everything that is going on there.

I am still working hard - in fact I have been so weary that I have done little else. I haven't so much as touched a golf club!

West Chop, Massachusetts
Martha's Vineyard Island

With things as easy as you say
they are true, I think I shall
take advantage of this opportunity
to recover a little of my patience
and equilibrium, so lacking the
past several months. So, as you
suggest, I shall stay along for
two or three weeks longer unless,
of course, something develops
there to make it desirable for
me to go back. I was so tired
out when I got here, mentally
more than physically, that I

West Chop, Massachusetts
Martha's Vineyard Island

have lived the last few days
more or less in a trance. I
think I would lose most of the
benefit that I might otherwise
get, were I to go back now. But
please be sure that I would
gladly return any time you might
want me for anything. Indeed I
wouldn't enjoy myself as I can
now unless I could think you
would let me know if I can
help by going back.

My present plan is to stay here

West Chop, Massachusetts
Martha's Vineyard Island

until early next week and then to
go to my sisters at Jamaica, R.I.
But I shall keep you advised
of my address. In the meantime
I shall be thinking over the gold
story as you outline it and if
Cicam will slip me the various
memoranda on it I might take
a whack at a preliminary draft,
his report of foreign markets, the
Canadian proposal, the memo
we sent out on Treasury practice
gold points and especially the

Done - 8/20/27
T.M.B.R.

West Chop, Massachusetts
Martha's Vineyard Island

with laws.

This was sent to all at the bank,
thanks again for your most
welcome letters and please let me
know when ^{you} you want me to
go back. I miss you all.

Faithfully yours,
Grog Harrison

Handwritten text at the top of the page, appearing to be a header or title, possibly related to a business or organization.

RESERVE BANK
AUG 25 1927
ASSOCIATED BANK
NEW YORK

WEST CHOP, MASSACHUSETTS
Matha's Vineyard Island

August 18th [1927]

Dear Governor:

I was glad to get both of your letters, the 15th and 16th, and to get a cross section of what's going on there. While I am thoroughly relaxing in this let-up that I know now I needed so much, I do miss you all and everything that is going on there. I am still loafing hard -- in fact, I have been so weary that I have done little else. I haven't so much as touched a golf club. With things as easy as you say they are there, I think I shall take advantage of this opportunity to recover a little of my patience and equilibrium, so lacking the past several months. So, as you suggest, I shall drag along for two or three weeks longer unless, of course, something develops there to make it desirable for me to go back. I was so tired out when I got here, mentally more than physically, that I have lived the last ten days more or less in a trance. I think I would lose most of the benefit that I might otherwise get, were I to go back now. But please be sure that I would gladly return any time you might want me for anything. Indeed, I wouldn't enjoy myself as I am now unless I could think you would let me know if I can help by going back.

My present plan is to stay here until early next week and then to go to my sisters at Jamestown, Rhode Island. But I shall keep you advised of my address. In the meantime, I shall be thinking over the gold story as you outline it and if Crane will ship me the various memoranda DONE on it, I might take a whack at a preliminary draft; his report of foreign 20/27 mbl markets, the Canadian proposal, the memo we sent Mills on Treasury practice, gold points, and especially the mint laws.

Give my best to all at the bank. Thanks again for your most welcome letters and please let me know when ever you want me to go back. I miss you all.

Faithfully yours,

GEORGE HARRISON

[From Harrison Collection]
DATE Oct. 10, 1927. 1927

OFFICE CORRESPONDENCE

To Governor Strong
FROM George L. Harrison

SUBJECT: _____

CONFIDENTIAL

Mr. Case has just told me of developments regarding Crane, about which he was unable to speak to me himself last week because of my absence from town.

This offer, which Mr. Case tells me Crane is seriously considering, again prompts me to mention what I spoke to you about sometime ago, that is, the need for another officer in the foreign department. While I would much prefer to have an opportunity to talk this over with you, nevertheless I know how busy you are to-day and am sending this along for you to mull over on your way to Washington.

As you know, I have always felt that Crane is one of the best of our junior officers, that he is one whom we should encourage in every way consistent with good organization in the bank. Indeed, on the basis of his present work, entirely apart from future prospects, he is entitled now to some promotion. I would like to think, therefore, that it would be possible to promote him to a Controller (so long as we have that rank in the bank) and formally to make him Secretary of the bank. As you know, I have always agreed with you that the secretarial work should be under the jurisdiction of the legal department and that other things being equal, it would be much better to have the assistant counsel act as Secretary. In principle that is no doubt the most desirable set-up. But Crane has served as assistant secretary for so long, and latterly has acted as Secretary so satisfactorily and efficiently that I not only think he is entitled to the appointment but that he will do the job better than any one else that we could procure in or out of the legal department. He handles

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE Oct. 10, 1927 192To Governor Strong
FROM George L. Harrison

SUBJECT: _____

2

the work with so little fuss and so little confusion that it interferes but little with his job as manager of the foreign department. And so much of the discussions which now take place at the directors meetings involve the foreign department that I think there is some advantage, in any event, in having him present. Entirely apart from the offer that has just been made to Crane, I feel, as I told you some weeks ago, that he is entitled to promotion and if you and the directors should agree, I hope it will be made clear to Crane that this has been in the offing for sometime entirely apart from any consideration of the possibility of his leaving the bank.

Together with Crane's promotion, as I previously mentioned to you, I think that Scott should be made a manager. While there are a number of possible outs about this, nevertheless the volume of work in the foreign department has increased so greatly in the past two years, and the amount of correspondence, orders and tickets requiring official signature is correspondingly so much greater that we really need another officer in the department qualified to handle work which now is needlessly thrust upon either Crane or myself or perhaps some other officer in the bank outside the foreign department.

I think Scott ranks up well with other managers in the bank, has a thorough knowledge of the work of the department, has applied himself most conscientiously to his job for a long time and for long hours each day. The effect of promoting him, in my opinion, would be favorable not only in the department itself but throughout the bank as well.

Mr. Case wholly agreed with these suggested changes when I discussed

them with him several weeks ago.

CLASS OF SERVICE

This is a full-rate telegram or Cablegram unless its character is indicated by a symbol in the check or in the address.

WESTERN UNION

SYMBOLS

BLUE	Day Letter
NITE	Night Message
NL	Night Letter
ICO	Deferred
CLT	Cable Letter
WLT	Week End Letter

NEWCOMB CARLTON, PRESIDENT

J. C. WILLEVER, FIRST VICE-PRESIDENT

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1927 OCT 23 PM 12 57

NA103 28 BLUE

ITHACA NY 23 1201P

BENJ STRONG

270 PARK AVE

IN ORDER TO SAVE TIME AND DELAY I LEAVE HERE TONIGHT DIRECT FOR BALTIMORE FROM WHERE I SHALL TELEPHONE YOU TOMORROW HAVE HAD A FINE VISIT WITH TREMAN

GEORGE HARRISON.

OFFICE CORRESPONDENCE

DATE Nov. 29, 1927. 192

TO Governor Strong

SUBJECT: BANK OF ITALY

FROM George L. Harrison

While it was of course impossible for me to hear Mr. Lubbock's side of the telephone conversation with you this morning, I rather gathered from your remarks and what you subsequently told me of the conversation that the substance of it was as follows:

That Governor Norman had received satisfactory assurances from Governor Stringer as to his desire to cooperate with the banks of issue, as to the amount of their gold holdings and as to their ability to put through a program;

That Governor Stringer had indicated that they do not propose a long loan but that they would probably want a short ^(one year) credit of \$100,000,000 from the Federal Reserve Bank and the Bank of England;

That Governor Norman had indicated, with emphasis, that precedent and a desire for continued cooperation among the banks of issue would probably make it necessary for the credit to be not only with the Federal Reserve Bank and the Bank of England but with many banks of issue;

That Governor Stringer had not considered that sort of a credit and would like to think it over, but that he was very grateful for Governor Norman's opinions and reception.

After telling Mr. Lubbock that you agreed wholeheartedly that cooperation is desirable and that we should have a large party rather than a small one, you asked whether they had ^{explored} ~~considered~~ or would consider the following points:

(1) Whether it is the plan of the Italians to do anything with the private bankers and if so what? On this point you subsequently told me that Mr. Lubbock had said that they had not as yet made any inquiries and had no information.

OFFICE CORRESPONDENCE

DATE Nov. 29, 1927. 192

TO Governor Strong

SUBJECT: BANK OF ITALY

FROM George L. Harrison

2

(2) At about what rate would the lira be stabilized? Mr. Lubbock said that they had not as yet had opportunity to discuss this question.

(3) Would the conversations concerning a credit be of a character that would avoid bringing up any political questions? In reply to this Mr. Lubbock stated merely that Stringher had emphasized that a bank of issue credit to the Bank of Italy would do more than anything else to insure the future and effective independence of the Bank of Italy from any sort of political influence or control.

(4) How imminent is the stabilization and would there be time, if we were asked, for us to meet somewhere to discuss a credit arrangement? As to this Mr. Lubbock said they would cable some suggestions tonight.

Harrison

Rate formula only!

FEDERAL RESERVE BANK

OF NEW YORK

PERSONAL AND CONFIDENTIAL

December 15, 1927.

Dear Mr. Strong:

I am quite ashamed of myself for not having sent you a word except by cable since you left here. The truth of the matter is that we have been so rushed most of the time that I have put it off from day to day until now I find that it is almost two weeks since you left.

We have had a long hard day today and as I find to my surprise that the only decent boat this week sails tonight rather than tomorrow night as I had supposed, I am just going to hit a few high spots in this letter to keep you in touch with some of the gossip.

1. The directors, through the various and appropriate stages, have been considering your recommendations regarding organization, cafeteria, salaries, etc. At the meeting this afternoon in executive session, I understand that the whole "bag of tricks" was approved, including two new Deputy Governors, abolition of the Controllers' office, creation of the Assistant Deputy Governors title, \$25,000 additional absorption of cafeteria expense, and the appointment of two new Managers. While I understand that Messrs. McGarrah and Sailer will visit Washington in advance of any formal submission of the program, you will remember that under the Board's requirements, the recommendations regarding salaries and organization will very properly not come up until after the first meeting in January.

2. You may remember that just before you left, you advised me

of the remarks of Owen Young in the executive session of the directors regarding the memorandum on rate procedure. I attempted to incorporate his views regarding a separate vote on the existence of the national emergency prior to any action regarding rates, and had several discussions with Mr. McGarrah about it and informally with the Officers' Council. At any rate the directors have today adopted a minute in the form attached, with a view that it will be transcribed in the records of the meeting, where it will be available for transmission to Washington whenever the appropriate occasion arises. I rather understood from Governor Young that while he is gradually making progress with the only member of the Board whom he expects might make some difficulty, nevertheless the matter is about in the same status down there that it was when you left.

3. In this connection, I rather imagine from what Governor Young says that he will make considerable headway with James because of Governor Young's unqualified support of James in the Atlanta controversy. I do not know much of the details but, apparently, James has gone pretty deep and committees from the Atlanta district are threatening a march on Washington with a view to registering all sorts of complaints and appeals. I rather think, however, that Governor Young will support the Board's committee in their recommendations, regardless of the influences being brought to bear from Atlanta. That will, of course, - and rightly enough - strengthen Governor Young's hand with James. Incidentally, I understand that Eugene Black will be the new Governor in Atlanta to succeed Wellborn. I do not know much about him other than I hear that he is some relative - by blood or marriage - of Wellborn's. They seem to persist in their nepotism!

4. For some reason, of which I am not advised, McLean will no

longer be chairman of the Senate Banking and Currency Committee. Norbeck of South Dakota is to take his place. I was much alarmed when I first heard this, but learn from Governor Young that Norbeck is an excellent type of fellow, quite willing to seek and follow advice and altogether, in Governor Young's mind, a happy selection. If we can get such a man as that from the Middle West, I agree that our position there is strengthened rather than weakened by the shift.

5. We are having much difficulty in our consideration of the action of the Governors Conference relative to stock drafts. I feel that the other officers are quite right in their belief that you cannot "gradually discontinue" the handling of these drafts. We must either collect them or not collect them. That being so, the big question is when should it be done, if at all. I first suggested that if they all agreed that we must do either one thing or the other, without tapering off gradually, it might be wise to have the collection committee make their whole study of the character of items to be handled before we do anything. But Strater now feels that on the matter of the stock drafts, his committee has no discretion or option in view of the action of the conference. When I saw Governor Young in Washington on Sunday - (and I spent a most delightful day with him at the Treasury) - he said that while he always advocated abandoning non-cash collections, nevertheless he feels that as long as the System expects to continue handling non-cash collections, we cannot discriminate against the stock drafts. He intimated that he was waiting to see how long it would be before the banks found that it would be impossible to do what the Governors Conference recommended. After talking it over for sometime, we both were inclined to the conclusion that a satisfactory way to control the collection of stock drafts -

or indeed any other class of items - is through a charge, and I am hopeful that it will be possible to let the matter ride along until you get back, with a view to reopening the question on the basis of a charge. Indeed, properly applying the charge would control all of the abuses to which it has been stated the collection system has been subjected. I then asked Governor Young whether he would feel - as we once felt - that it would be wise to offer a city-wide collection system for non-cash items for all of our city banks as well as for the country banks, provided we make a charge for the service. Governor Young expressed complete agreement with the suggestion and said that he had once tried to work it out in Minneapolis but for some local reasons he had some difficulty which discouraged him in doing so.

6. Some more gossip which I picked up quite privately in Washington. McFadden has for sometime been angling for a job in some of the Reserve banks. Apparently, Colonel McIntosh, for one reason or another, with which I am not familiar, suggested the possibility of his being appointed to succeed Austin in Philadelphia, but the whole matter of Class C directors has been brought to a show-down by Governor Young, who raised the question of the Wall Street Journal article about Federal Reserve Board management of Federal reserve banks, and he gathered from the statements around the table that all of the members, with the possible exception of one, would not for the world want to see the Reserve Board an "operating body" or anything other than a "supervisory body." Furthermore, I think that practically all of the members, denied knowing anything of the Wall Street Journal article or how it was conceived.

7. Adolph Miller at a recent meeting in Washington, raised the question whether the time might not soon be here when we should raise rates.

Cunningham was interested, and after the meeting asked Governor Young whether he saw anything in the situation which justified an increase at this time. Young answered that he saw nothing whatever to support it, with the possible exception of the stock market which he hoped would crack of its own weight before it would be necessary for the Reserve banks to raise rates and be blamed for any break that might occur in the market. The purchase of securities has lagged so far behind the gold movements that I think most of the members of the Board are quite happy in the execution of the open market policy approved by the board at the last meeting. Even Miller, who is ready to squabble if we had offset the gold movement dollar for dollar, has expressed himself most favorable in the way the account has been handled. I think every one at the moment is in favor of maintaining the status quo leaving the question of rates for discussion after Christmas or after the turn of the year.

8. There is not much point in my discussing market conditions or the state of our own account in a letter, since it will necessarily be out of date by the time the letter reaches you. But briefly, as of last night, our total bills and securities were \$353 millions, of which \$85 millions were discounts for the city banks, \$46 millions bills under sales contract, and \$59 million other bills purchased. Our share of the special investment account was \$113 million. The total of \$353 million is \$21 million under the previous week. While I am not certain, I think that the Treasury's overdraft has been reduced to about \$60 million as of last night, so that I presume it may be necessary as the Christmas demand progresses and the Treasury overdraft is liquidated, to buy some more securities. At the moment, however, there is no understanding that that will be done. In this connection, Bailey of Kansas City, wrote you a personal letter

which Case has answered, asking to be advised as soon as there is any likelihood of any bank raising its rates. He apparently feels that he wants to be among the first to go up. His letter, however, did not indicate that he feels any pressing demand for a change.

9. Whaley-Eaton. I have had several quite private talks with Governor Young regarding the Whaley-Eaton article, which I wirelesslyed you. He has felt all along and told me to assure you that that report could not have resulted from his discussions with any members of the Board. While he is not certain of his dates, he feels fairly sure that Miller and Platt, who were the two members not present when he first advised the Board, were not told about the matter until too late to have been the cause of its appearing in the Whaley-Eaton issue of December 6. As I cabled you a day or so ago, however, McIntosh, when he first saw the article, blurted out apparently that somebody "peeped" down there. I think, from what Governor Young says, that McIntosh's feeling was based not so much on the particular dispatch as it was upon his general irritation over past leaks about some of his Comptroller's calls. At any rate, I have done all that I could with Governor Young without any embarrassing pressure on him formally to investigate the matter.

10. Governor Young, by the way, seems to be taking hold in grand fashion, and organization is now apparent where chaos was rampant. Things are being done and done quietly and in an orderly fashion. The decks all seemed to be cleared and from what he told me on Sunday, all the regulations are disposed of and everything that was done at the Governors Conference will be out of the way before he leaves on the 18th for Minneapolis, where he is going to spend Christmas. The only thing that has not yet been disposed of is Burgess's article for the Year Book,

which they are apparently squabbling about for one reason or another. I rather think their objection is not so much to the article but rather to the fact that it was written in New York instead of ⁱⁿ Washington.

11. Bell of Harris Forbes came in last night to see me, saying that they and some other house have an option, which expires the end of this month, on \$12 million bonds of an Italian Hydro-Electric company. He was snooping about to see whether we knew anything in the situation which would make it any less desirable for them to issue the bonds in question. I avoided any direct reply, told him that while we were not, of course, as closely in touch with general trade conditions in Italy as he himself was, nevertheless we felt that they had made great strides in their monetary position in the last two or three years. I ended up by just telling him that I knew of nothing which we could tell him which would be a help to him one way or another in determining what he should do about the issue. Mr. McGarrah was present during the discussion and quite approved. It is difficult to give you the atmosphere of the talk, but Bell got nothing out of us. I mention it only because of the fact that his coming the way he did gave the impression that he is suspicious that something is in the air. *h*

I could ramble on indefinitely and have probably forgotten to mention much more important matters than those enumerated here, but the time is so short and it is getting so late that I must stop this now so that Miss McCarrick can type it and get it on the boat tonight. I am not even going to wait to read it, so please take it for what it is worth and quite leniently.

We all miss you a lot and only hope that the severity of the

trip and the pressure of the work over there will not tire you out.
Above all, take care of yourself and if for any reason you want to come
back or want help, send me a cable. It doesn't take me long to pack.

Always, affectionately yours,

George L. Harrison ^{McC}

Dictated but not read, and signed for
Mr. Harrison by Miss McCarrick.

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

GLH.MM
Enc.

From Harrison Cade...

COPY OF OUTGOING CABLEGRAM

New York, N. Y.
December 24, 1927.

Benj, Strong,
S.S. Mauretania, R.C.N.Y.

My love and Merry Christmas to you.

George Harrison.

TELEGRAM

From Harrison
Cable Transfer
DIVISION

COMMERCIAL WIRE—INCOMING

DECODED _____
CHECKED _____
COMPANY _____

ATTENTION _____

TRANSLATION COPY

123WU C 24 BLUE RIDGELAND SC 210P FEB 8
MISS MARY MCCARRICK

% FRB *950000*

PLEASE WIRE ME HOW GOVERNOR IS AND WHETHER ANY NEWS
WHICH MIGHT CONCERN MY PLANS NOT YET DECIDED WHETHER I
SHALL STAY ANOTHER WEEK

HARRISON

315P

TELEGRAM

COMMERCIAL WIRE—INCOMING

TRANSLATION COPY

ATTENTION _____

WIRE TRANSFER DIVISION

DECODED _____
CHECKED _____
COMPANY _____

[From Harrison]
2/15
FEB 15 1928

122 WUX 28 1 EX RUSH PB PALMBEACH FLO 138P FEB 15
MISS MARY MCCARRICK

FEDL RESERVE BANK NY

AM AT HOTEL POINCIANA PALMBEACH PLEASE WIRE ME TODAY
IF ANY NEWS AND WHERE STRONG IS STAYING AT ATLANTIC CITY
FORWARD UP MAIL WILL TELEGRAPH FURTHER ADDRESS TOMORROW
no
HARRISON 157P

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 29, 1926 192 TO Mr. Harrison

SUBJECT: _____

FROM Benj. Strong

If you have not done so, will you have a talk with Mr. Crane and prepare his mind for the possible need for rearranging our trip in case I am unable to sail Saturday.

Attached is Governor Robineau's cable, which is self-explanatory.

I have already done so. He has, therefore, abandoned his plans for this Saturday. Yds

On board s/s "Aquitania",
May 15, 1926.

Dear Mr. Harrison:

I have your fine long letter of April 30th, which mentions only my first cable regarding the hearings, but I hope the second cable reached you in time to make the necessary changes. I was too ill at first on the boat to do any work on it.

Miller's testimony has not yet arrived, but I think Winston has some of it with him. I have not had time to look at it, but will do so after reaching Paris. He is flying over today, and we are crossing on the "Aquitania" from Southampton to Cherbourg, but I join him again in Paris on Sunday. It may be necessary, when the hearings are resumed, for us to clear up any doubt in the minds of the Committee as to certain matters that he has dealt with. I of course can have no opinion until I read the record.

Fisher's and Lombard's letters are really ridiculous. Of course it is a piece of effrontery for them to ask me to be an honorary vice-president of their association, and it is all of a piece with the other assumptions they have been guilty of as to my attitude.

About the designation of a Governor for the Board, I did not gather from Winston that anything had as yet been done to settle the question. In fact, I think it all depends upon what you fellows do at home.

Won't you tell Burgess that I am grateful to him for keeping me posted. His letter gives the news very fully, and that is just what I like to have.

2.

Mr. Harrison.

May 15, 1926.

I don't believe there is any need of my writing to Governor Crissinger about the Belgian matter, but in case you fellows don't agree with me, I am enclosing a reply which may prove to be satisfactory. If not, you can get one up yourselves.

I shall write separate letters about various matters over here, so as to facilitate filing, etc., and this is just a general reply to yours of the 30th.

My very best wishes to you all.

Sincerely yours,

Mr. G. L. Harrison,
c/o Federal Reserve Bank of New York,
New York.

BS:M

Hotel du Cap d'Antibes,
Antibes, June 6, 1926.

Dear Mr. Harrison:

I am most grateful to you for your letters of May 18th and 21st. About everything touched upon in both letters will have been dealt with before you hear from me, so I shall not burden you with a long reply.

I am of course anxious about the Mc Fadden bill and the possibility of an unwise compromise. Personally, I would rather have no bill than one which embodies even the shadow of the Hull amendment.

Winston will have arrived home before this letter reaches you and given you first-hand all the news. I have written you separately about Mr. Case.

One reason for my suggesting Reyburn was because I had had a frank talk with him about our office situation and I thought he could make some contribution to the solution of Case's puzzle.

Enclosed is copy of a letter just received from Mr. Stetson, our Minister at Poland, concerning which I cabled you. I am inclined to think you have been a bit too anxious about the situation there. My reply to his letter, which is also enclosed, may be of interest.

Again, many thanks for your letters. I am so glad to have all the news. My best regards to all of you as always.

Sincerely yours,

Mr. G. L. Harrison,
c/o Federal Reserve Bank of New York,
New York.

BS:M

Hotel du Cap d'Antibes,
Antibes, June 6, 1926.

Dear Mr. Harrison:

I notice in the minutes of the Officers Council meeting of April 26th a reference to drawing against items deposited before 9 o'clock for which immediate credit is given. What items are these, and what relation will this arrangement have to the right of a member bank to recover on items up to 3 o'clock if not paid by the drawee bank? This is a procedure that should be mightly carefully studied from a legal point of view, and the minutes do not disclose enough information to enable me to form an opinion as to whether we are taking an undue risk.

Sincerely yours,

Mr. G. L. Harrison,
c/o Federal Reserve Bank of New York,
New York.

BS:M

Hotel du Cap d'Antibes,
Antibes, June 11, 1926.

Dear Mr. Harrison:

I find I have failed to acknowledge your fine letter of May 7th, which gave me a good idea of just how matters are going in Washington.

While I have not yet finished reading Miller's statement, which is a wearisome document, I can see standing out very strongly an indication of his belief that the Board must have a larger hand in operations and that the judgment of the directors and officers of the Reserve Banks is now allowed to have too much influence in arriving at major decisions. But the greatest impression that I gather is unfortunately that he has been rather disingenuous in giving the Committee the impression that the Board has a much greater comprehension of System problems than we know it has. I think he falls into the rather natural error of expressing his own views as though they were the views of the Board as a whole, but it is an error that we all make and I cannot blame him so much for that. I can well understand his embarrassment in answering some of the questions.

In the appearances before the Committee, I am much impressed with the desirability of assuming a constructive attitude rather than a defensive attitude where any doubts arise such as the legality of the repurchase agreement. I think our position should always be that any doubt, if it exists, should be resolved by making the law clear that we have the power to do what we are doing, for if the power were denied us, it would be an injury to the country and to the System. The Committee reacted well to suggestions of

June 11, 1926.

that sort when I made them, and I am certain they will always, for the
Committee is in a thoroughly constructive frame of mind and will be helpful.

Sincerely yours,

Mr. G. L. Harrison,
c/o Federal Reserve Bank of New York,
New York.

BS:M

Hotel du Cap d'Antibes,
Antibes, June 21, 1926.

Dear Mr. Harrison:

Yours of June 8th has just reached me, also yours of the 11th, but the correspondence with Mr. Redfield has not yet arrived.

About a French loan, now that Herriot has failed to form a Government and Briand has again been requested to make the attempt, I presume all talk about loans will be ended for the time being.

I hope our friend R. L. does not rely overmuch on the Committee of Experts. My guess is that they will produce a mouse.

I shall not answer Congressman Strong's letter, but wish very much that on receipt of this you would write him, telling him that I have received a copy of his letter and that I have written you that immediately on my return I want to go over the whole record again and will then give him the very best suggestion that I can devise.

There are one or two suggestions of much significance in his proposed amendments. One is the provision in the new paragraph that the powers of the Reserve System shall be used to control the total volume of credit and currency rather than the use that is made of such credit. This is an important recognition of our contention that we cannot control the use. Another is that the amendment provides that the study of the subject shall be made by the Federal Reserve Board instead of by a Committee of Congress. I must say there are hopeful signs in the activities of this Committee.

Sincerely yours,

Mr. G. L. Harrison,
c/o Federal Reserve Bank of New York,
New York.

BS:M

Hotel du Cap d'Antibes,
Antibes, July 1, 1926.

Dear Mr. Harrison:

I just have your pencilled note, and doubt whether you realize how relieved I am to ^{learn that I did} give a satisfactory answer to Mr. Case by cable and letter. It was a difficult puzzle, as difficult as any that I have faced in a long time. One can shape a conversation to meet questions and replies as cannot be done by letter, and there was such a possibility that Case would misunderstand my attitude, especially in view of our recent discussions in regard to the management of the Loan Department, that I was rather terrified lest I be responsible for a decision one way or the other by him which would be unwise and unjustified.

Incidentally, it seemed highly desirable that this be made the opportunity of eliminating any illusions as to the future, and I gather from your letter that that has been done. Many thanks to you, as is so often the case.

Sincerely yours,

Mr. G. L. Harrison,
c/o Yale Club,
Vanderbilt Avenue,
New York.

BS:M

RECEIVED
JUL 11 1926
G. L. H.
C. L. H.

FEDERAL RESERVE BANK
OF NEW YORK

Hotel du Cap d'Antibes,
Antibes, July 5, 1926.

Dear Mr. Harrison:

This will simply acknowledge receipt of your letter of June 22nd in regard to Mr. Winston's report on the Indian Currency matter and the expense of the inquiry, and your other letter of the 22nd in regard to the Bronx-Brooklyn clearing arrangement, both of which are very satisfactory.

Many thanks.

Sincerely yours,

W. H. Brown

Mr. G. L. Harrison,
c/o Federal Reserve Bank of New York,
New York.

Hotel du Cap d'Antibes,
Antibes, July 5, 1926.

Dear Mr. Harrison:

This will just acknowledge yours of the 25th of June, covering
a variety of subjects which call for no special comment.

Sincerely yours,

Mr. G. L. Harrison,
c/o Federal Reserve Bank of New York,
New York.

BS:M

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

Dear Mr. Harrison:

Yours of the 20th about Mr. Baker's bill is just received. I don't see how I can possibly deal with it by correspondence. Your suggestion strikes me as most practical. Mr. Baker did a great job for the Federal Reserve System. He did it almost too well, in a sense, because if there had been any sloppy work in the lower court, we might have had a review by the Supreme Court on the merits. Mr. Baker has not got the reputation of being a heavy charger, and after the devotion which he has given to this matter and to other matters for the System, I would feel mortified and ashamed if his bill should be questioned. So my suggestion is that it be handled in such a way that there is no possibility of that situation arising.

Sincerely yours,

Mr. G. L. Harrison,
c/o Federal Reserve Bank of New York,
New York.

BS:M

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

Dear Mr. Harrison:

Frankly, I am disturbed by what you write in yours of the 16th in regard to Congressman Strong. Whether we agree with him or not, the earnestness and sincerity with which he has tackled a very difficult problem entitles him to the very best help we can give him. I wish that my own statement to the Committee could have been more helpful and have less the appearance of being simply destructive criticism. You can tell him from me, if you want to, that when I get home I will take my coat off and do the best I can to be of help, up to the point where it is necessary for me to sacrifice some honest convictions. I will not ask him to abandon his, any more than he would ask me to abandon mine, but I do think that some formula can be worked out which will be expressive of what we are trying to do, without being deceptive as to what we cannot do, and I would like to have a hand in the job. But he must not think that we are engaging in any propaganda. I have not communicated with anybody on the subject, as you know, and I believe everyone else in the Bank has been as careful.

Sincerely yours,

Mr. G. L. Harrison,
c/o Federal Reserve Bank of New York,
New York.

BS:M

Princess Hotel,
Hotel, August 26, 1926.

Dear Mr. Harrison:

I am cabling you in reply to yours of the 12th about Mr. Baker's fees, so shall not comment further.

Yours of the 10th I thoroughly understand, and am sure Mr. Trotter will do the needful.

Your letter of the 11th about the Clearing House Committee action again exhibits the inaptitude of those gentlemen in dealing with a situation which requires a combination of technical knowledge and good judgment. I have full confidence that you will work it out all right with them, and really the only point that gives me any concern is the attitude of the Central Trust Company. If the Central Trust Company should take a determined stand, it might involve the question of their membership in the System. I know they don't feel any sense of dependence upon us, and we would very much regret to see that fine old bank pull out. Not being members of the Clearing House puts them in quite a different category from the others.

Replying to yours of the 13th, don't bother about the record of the hearings before the Banking and Currency Committee subsequent to Dr. Miller's testimony. I can pick that up on my return.

What you write about the discount rate is most enlightening. I am not inclined to repurchase securities sold, certainly not until things hereafter develop so that the picture is a bit clearer. Of course you and the others realize that if developments require a further advance in our rate, the sooner it is made the better. But you probably realize also that we must give some consideration

August 26, 1926.

then to the situation in London. I have a feeling that the settlement of the coal strike will momentarily put some strain on the exchanges, as British manufacturers undoubtedly slowed down very sharply in their foreign purchases of raw materials because of the strike, whereas the discontinuance of the strike might necessitate immediate heavy purchases, with the offsetting exports not arising for some months. That is just a thought suggested by the fact that the trade figures showed a greater reduction in imports than in exports after the strike got under way.

I suppose you are acquainted with Mr. Morrow's testimony before the Senate Finance Committee, during which he was closely questioned in regard to what I had been doing abroad. The hearings have simply been discontinued until Congress reassembles, and the Senate Finance Committee is going to give further consideration to the subject of debt ratification, probably having some more hearings before the French debt agreement is formally reported before the Senate. In view of the interest they have displayed in my activities over here, I think it may be a good opportunity for me to ask to be heard and disabuse their minds of some misunderstandings of what we do abroad, exactly as we attempted to do before the House Committee on Banking and Currency. That is a matter for you and the rest of us to consider on my return.

My return home will need to be governed a bit by events, but I am now planning to sail some time in September, with the hope that it can be reasonably early. There is no end of trouble getting accommodations, and I have been so uncertain of my dates that I have been unable to "book" anything definitely, except some rather poor accommodations for September 22nd. I will cable just as soon as I know definitely.

Best regards to all at the Bank.

Sincerely yours,

Mr. G. L. Harrison,
33 Liberty St., New York.

Princess Hotel,
Paris, August 30, 1926.

Dear Mr. Harrison:

I was delighted to have your long letter of August 20th, and would have been very much worried about the disclosure of the gold shipments from Australia had I not seen the cables. You can see the importance and bearing of the statement in Dr. Miller's testimony, and I can give you more details when I get home, earnestly hoping that it is eliminated.

About the Open Market Committee action, I have no reason to doubt its wisdom and, as you know, this time was for more drastic action than was contemplated by the Directors. In fact, I don't think I would hesitate to let some of the September 15th maturities, although possibly not all of them, run off without replacement. You know I have always said at the Bank, and still believe, that a discount rate at a low level is more effective in control of credit when we have a large portfolio than a higher discount rate is when we have a very small portfolio. The reasons for this are obvious, so if our Directors are not willing to go to 4 $\frac{1}{2}$ %, it seems to me we are forced to dispose of some of our securities and couple with that, if possible, the policy of distributing the borrowing as much as possible among the different member banks and not having too much borrowed by any one or even any half dozen.

I am sorry the Board got disturbed about the delay in raising the rate. I had a feeling, as I think I wrote, that the indications pointed towards the increase some time ago, and I have often made it a practice under those conditions to have a preliminary and very confidential talk with Crissinger, so that he will

August 30, 1926.

be in position to say when these disputes arise that he has been consulted. It means risking at times some advance publicity, if there is any leak, but generally there has been no leak and the feeling of cooperation has been effective.

I am enclosing with this a letter addressed to Winston, and a tissue for your confidential information, to save repetitions.

There has been great difficulty getting accommodations home, but I have finally secured a room without a bath on the "Mauretania" sailing on the 18th of September, and will take that in preference to the "Homerie" on the 15th, as they get in about the same time and Mr. Morrow will also be on the "Mauretania". If I could get a sailing a week earlier, I would probably take it, but I shall be detained here until the end of this week and then want to spend a week or ten days in London, to keep some engagements which I tentatively made before leaving. I am distressed at being away so long, but when you finish reading all the dope I send home, I think you will feel that it has been worth-while.

Best regards to all at the Bank.

Sincerely yours,

Mr. G. L. Harrison,
c/o Federal Reserve Bank of New York,
New York.

BS:M

Princess Hotel,
Paris, August 30, 1926.

Dear Mr. Harrison:

Thank you for your note of the 17th.

I read the statements which you sent me, which included all of Dr. Miller's, as I understand it, and these have been returned to the office with the only suggestion that seemed of sufficient importance to be justified.

Sincerely yours,

Mr. G. L. Harrison,
c/o Federal Reserve Bank of New York,
New York.

BS:M

Bank of England,
London, September 9, 1926.

Dear Mr. Harrison:

I am delighted with what you write about Dr. Miller's testimony on the subject of foreign balances with the New York Bank. It worried me, and I feared a bad reaction over here.

With this I am enclosing the monthly review of the Midland Bank, which contains a criticism of the Indian Currency report that you may be interested in reading.

Sincerely yours,

Mr. G. L. Harrison,
c/o Federal Reserve Bank of New York,
New York.

BS:M

E. From Harrison

CLASS OF SERVICE	SYMBOL
TELEGRAM	SEP 2
DAY LETTER	BLUE
NIGHT MESSAGE	NITE
NIGHT LETTER	N L

WESTERN UNION



OWAY N.T.
NDT 0800

TELEGRAM

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.

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

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

Received at

49WZ NQ 54 RADIO

ROG

RECEIVED
4:40 pm
SEP 22 1926

G. L. H.

SS MAURETANIA VIA EASTHAMPTON NY SEPT 22 1926

HARRISON

587
FEDERAL RESERVE BANK NEWYORK NY

SUGGEST YOU INVITE ANY DIRECTORS AVAILABLE TO ATTEND EXECUTIVE MEETING MONDAY TO DISCUSS JAYS CABLE STOP COULD YOU ARRANGE CONFIDENTIALLY FOR WOOLEY YOUNG REYBURN REYNOLDS DINE WITH ME ANY NIGHT BEFORE MONDAY OR LUNCH ONE SATURDAY STOP NAME ON PASSENGER LIST HAVE YOU ANY SUGGESTIONS REGARDING REPORTERS REGARDS

STRONG

244P

[Jim Harrison Collecting]
WIRE TRANSFER DIVISION

W. T. 11.1 40 M 11-25

FEDERAL RESERVE BANK
OF NEW YORK

TELEGRAM

COMMERCIAL WIRE—INCOMING

TRANSLATION COPY

DECODED _____

CHECKED _____

COMPANY _____

RECEIVED
11:25 am

ATTENTION _____

SEP 23 1926

G. L. H.

37WUX 18 RADIO SS MAURETANIA EASTHAMPTON NY SEPT 23 1926
HARRISON

F R B NY

ARRIVE EARLY AND DIFFICULT TO BOARD SO BETTER NOT MEET ME
QUARANTINE.

STRONG 1117A

E. F. Harrison Collection

CLASS OF SERVICE

This is a full-rate Telegram or Cablegram unless its character is indicated by a symbol in the check or in the address.

WESTERN UNION

NEWCOMB CARLTON, PRESIDENT

J. C. WILLEVER, FIRST VICE-PRESIDENT

SYMBOLS

DL	Day Letter
NTE	Night Message
NL	Night Letter
ICO	Deferred
CLT	Cable Letter
WLT	Week End Letter

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

Received at Grand Central Terminal Main Concourse, N. Y. ALWAYS OPEN

NB130 18

1926 DEC 28 PM 6 37

ASHEVILLE NCAR 28 611P

GEORGE J. HARRISON

YALE CLUB

GILBERT ARRIVING THURSDAY MOVING TO COTTAGE END OF WEEK SO NEXT

WEEK AFTER WE ARE SETTLED PREFERABLE, REGARDS

PHILLIP STRONG.

Mr. Hoover

To the Governor of this Bank -

never forget that it was created

to serve the Employer and the
Working man, the producer and the
Consumer, the importer and the
Exporter, the debtor and the Creditor

To the Governor of this bank:

Never forget to hold an even hand between producer
and consumer, Employer and Employee, importer and
exporter, debtor and creditor, so that the bank shall
benefit the whole nation.

RECEIVED

[Firm Harrison Collection]

JAN 13 1927

FEDERAL RESERVE BANK OF NEW YORK

G. L. H.

DATE Jan 11 1927

OFFICE CORRESPONDENCE

TO _____

SUBJECT: Director Case 13

FROM _____

Liam Christensen -

Here are some names, not in order

of preference, - but only to consider -

- Morgan* P. A. S. Franklin - Int. Mch. Machine -
- W. H. Woodin - Am. Car & Foundry -
- Woolley* *knows him well*, Good man.
- John Nat* J. R. Mason - Atlas Port. Cement Co -
- Kitt Co* *Stewart* *Carlton* Western Union -
- Commerce* Chas B. Lezer U.S. Rubber -
- W. E. S. Gridwood W & T. Sloan -
- Is a cousin of mine - but fine chap just the same -

The State Bankers have a Committee as you know. Suppose they must function as usual. Better act promptly as soon as we can!

Yours

P.S.

Be sure and consider matter

Harrison

Poles

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., February 18, 1927.

Dear Mr. Harrison:

The Manager of the Biltmore Estate, Mr. Ashley, just telephones me that Mr. Cecil has just written him about the visit of the Poles, and I think Mr. and Mrs. Cecil probably know the Polish Minister in Washington and will arrange to show them some attention while here. He says that arrangements will be made to put up the party at the Biltmore Forest Country Club, which will be much more convenient than to stop 'way over at the Grove Park Inn, which is five miles away.

If, on receipt of this, you will ascertain whether such an arrangement is satisfactory to them, I will notify Mr. Ashley right away on hearing from you. I would need to know who is coming and their full names, so that if necessary cards could be issued.

Sincerely yours,

Mr. G. L. Harrison,
33 Liberty Street,
New York City.

BS:M

Harrison

Pola

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., February 18, 1927.

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Sincerely yours,

Mr. G. L. Harrison,
33 Liberty Street,
New York City.

BS:M

Personal file

From Harrison Collection

RECEIVED

MAR 8 1927

G. L. H.

FEDERAL RESERVE BANK
OF NEW YORK

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., March 6, 1927.

PERSONAL

Dear Mr. Harrison:

In view of the probability of your sailing for Europe so soon and the uncertainty as to how long you will be away, I feel unwilling to have you leave without some steps being taken to have Mr. Young clearly understand my views about the future of the Bank. So I have had the draft of the letter to him rewritten, and enclose it herewith. Will you kindly read it again and then deliver it to him, with the understanding, however, that if you and he agree as to the wisdom of doing so, it should be considered simply a memorandum and either returned to my files or be destroyed.

My only reservation about your going to Europe, with Mr. Jay gone and while I am also away, is the possibility that this whole matter may reach a crisis with no one at the Bank thoroughly conversant with the situation and all of its complications, and especially the past record, and no means of having the point of view which you and I hold clearly exposed.

You will notice that there is no reference in the letter to the resolution of our board of directors, which has committed us so far as to be almost an insuperable obstacle. You will need to handle this most tactfully with Mr. Young, for I realize how urgently he felt the need for some such resolution. Now that it has passed to the Federal Reserve Board, the damage is done, and I think you should explain orally to Mr. Young just the

way I feel about it, but nevertheless in such a way that he will by
no possibility misunderstand my doing so.

Sincerely yours,

Wm. Strong

Mr. G. L. Harrison,
33 Liberty Street,
New York City.

*Enclosed in
C. B. ...
Harrison on
Story Case I*

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., March 6, 1927.

PERSONAL

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way I feel about it, but nevertheless in such a way that he will by no possibility misunderstand my doing so.

Sincerely yours,

Mr. G. L. Harrison,
33 Liberty Street,
New York City.

BS:M

*Del'd by GLH
by hand*

Confidential

*(Copy in
Young's file)*

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., March 6, 1927.

My dear Owen:

In default of opportunity for a full discussion with you, the next best thing is a letter, but I am afraid it will be a poor substitute for a talk. I have been meaning to write it for some time past. Its length is due to the necessity for recounting a little history.

By way of introduction: when the Federal Reserve Act became law - in the face of strong banking opposition, manifested more in "Wall Street" than in any other part of the country - the principal fears aroused were, I believe, three - others being of less consequence. The first was that the new banking system, which was compulsory upon national banks, would be politically controlled. The second was that dividing the country into a number of districts - as it developed, no less than twelve - strong sectional feeling would enter into the management of the System and it would be impotent to perform its chief functions smoothly and efficiently. The third was that the Reserve Banks, taking over such vast resources of capital and deposits from the national banks and with such broad powers granted them, would become active competitors to the detriment of the interests of the member banks.

This was the situation before the War started. In April or May of 1914, Warburg brought the Federal Reserve Board's request, with the approval of President Wilson and Secretary Mc Adoo, that I should become the head of the New York Bank, organize it and be responsible for its success. I was on the eve of sailing for Europe, and declined positively

to entertain the idea. On my return about the first of July, the proposal was renewed with greater urgency, and again I declined. Then came the War and, as you know, a desperately bad situation, liable to become greatly worse as the vicissitudes of the War developed unless our new banking system immediately became effective. Some time in September I was again approached by a committee of the Federal Reserve Board, of which Warburg was one, with a very insistent plea that I should undertake the task. I think they also brought me a letter from President Wilson urging me to do so. They then told me that the Board was encountering the greatest difficulty in getting men to take positions in the Reserve Banks. My memory is that they did not definitely have a head for even one bank of the twelve, and the argument was that if I would accept the position, it would set an example that would enable them to get good men in the other districts. After many conferences with my associates in New York, and especially with Jack Morgan, Harry Davison, Dwight Morrow and Mr. Baker, I was persuaded to say "Yes". It involved a very great financial sacrifice, as you realize, and, as it has later developed, a sacrifice of my health as well. But my acceptance of the position was only after a very clear declaration of my attitude which I made to Warburg, Jack Morgan and Harry Davison, and which Warburg advised me he had conveyed to his associates in Washington. They told me that the head of the Bank would be designated as the Governor of the Bank, that he would be the actual executive head of the Bank and would be permitted to pass upon the selection of associates. I replied that I preferred to accept the position without any conditions whatever, either as to title or salary or otherwise

save that I would head the Bank, but that everybody should understand what my position would be in certain contingencies. In a word, it was that any development in the System in the direction of a political control, or of control by the banks of the country or by the Wall Street bankers, or any interference from any quarter with the autonomy and independence of the Reserve Bank of New York as contemplated by the statute, would not result in my resignation but would certainly result in my attempting by every legitimate means to defeat any such effort.

It developed that the suggestion of my accepting this position coming from the Federal Reserve Board gave rise to some resentment on the part of those directors who had then been selected. As I recall, the six elective members of the board had been elected by the Bank, and one out of the three Class C directors had been appointed - Mr. George F. Peabody. The other two appointments had not yet been made. When I agreed to accept the position of Governor, the Board with my assent appointed Mr. Jay, and, over my protest, appointed Mr. Stareck as the third Class C director - a most undesirable appointment, as it later developed. The directors then appointed me Governor of the Bank, but not before I had received a call from Mr. Woodward, the object of which, as shortly developed, was to satisfy himself and associates that the Federal Reserve Bank, because of my selection, would not become promptly "Morganized." I think he was satisfied before we got through. That possibility I never feared! But I did fear the political control.

Privately, I told those members of the Federal Reserve Board whom I knew that I anticipated difficult times ahead, on the one hand with

the members of the System, many of whom were hostile to the plan, and on the other hand between the Reserve Banks and the Federal Reserve Board. I also anticipated the development of feeling and jealousy between the Reserve Banks.

It is a singular fact that the Reserve Banks had not been organized three months before all of these developments were actively harassing us, and not the least was the immediate effort by the Federal Reserve Board to assume powers and exercise authority not contemplated by the Act. As a result of the Governors' Conferences and our committee form of procedure, we have succeeded in overcoming sectional jealousies. The twelve banks work harmoniously together. Largely as a result of patient "creeping" by the Reserve Banks rather than attempting to move too fast, most of the banking hostility to the System has been overcome. The one outstanding weakness in the System is in the unsatisfactory relations which now subsist between practically all the Reserve Banks and the Federal Reserve Board.

This difficulty is the result of inherent defects or weaknesses in the scheme itself. The situation which has now arisen was almost bound to arise, and some of us clearly foresaw it in the early days. The only difference between what I anticipated being forced to do and what proves to be practicable, is due to the circumstance that my health is now such that it is quite impossible for me to carry out such a program as I had outlined twelve years ago, for I am simply not physically equal to the task of dealing with a development which I believe is almost certain to wreck the System in the course of years; nor do I believe our directors would support me in the attempt. Let me endeavor to give you the picture as I see it,

and thereby explain, as I hope I may be able to do, the causes of the major difficulties.

(1) The Federal Government has never yet constituted an independent bureau as a permanent branch of the Government free of departmental control under a member of the Cabinet which has been a success. The Interstate Commerce Commission (certainly until the last three years) in bowing to the public clamor for lower rates in the face of increasing costs of operation, that is, wages, materials and taxes, wrecked the railroad systems of the country, and it was not many years ago that we had between 60,000 and 80,000 miles of our railroad lines in the hands of receivers - between a fifth and a quarter of the entire mileage. Many others barely escaped.

(2) The Shipping Board - there is no need to recount the history of this unfortunate enterprise.

(3) The Federal Farm Loan Board. Were the facts known in regard to the affairs of this organization, as they are gradually becoming known in the Treasury, I am satisfied that you would be astonished. They would be fully known, were it not for the alarm which might arise among holders of the obligations of a system which is today borrowing over a billion dollars from the public in one form or another.

(4) The Alien Property Custodian. It has been nothing short of a scandal of the first order, and here the independent officer of the Government appointed to execute this vast trust of \$300,000,000 or more is directly responsible to the President. Fortunately, recent changes have improved matters.

(5) The Tariff Commission. It has been an unfortunate and impotent

body from the start.

I could go on at some length recounting others with which you are doubtless familiar. The one notable exception is the War Finance Corporation, and its escape from the fate of these other independent bodies has been due to the good fortune of getting a man of outstanding ability and large independent means who dominated the situation absolutely from the start and was willing to devote himself to the work so long as he could control it, without fear of losing his job!

The reasons for these failures have all been disclosed many times. The failures are principally due to inability to get good men. The salaries are small. Political considerations enter too much into the selections. But what is even more serious, these men, when they are selected, become timid and inefficient, unconsciously almost subordinating real convictions to their fears lest they may not be reappointed or may encounter criticism. Such a body, as the history of every bureaucratic body shows, endeavors to cure its own inefficiency by seeking to grasp more powers. The difficulties of their administration arise partly from inability to get good assistants, because they cannot pay enough, and partly because business is conducted as though it were a parliamentary body, votes must be had upon everything, and members hesitate to go on record for and against important measures which may arouse antagonisms. The result is a fairly equal division between:

- (a) Hesitation, procrastination and inaction;
- (b) Unfortunate compromises; and
- (c) Mistakes.

Almost continuously throughout the past twelve years a compara-

tively small group of men in the Reserve Banks have been contending against these difficulties in the Federal Reserve Board. Their existence is well known and admitted even by members of the Board. Usually logical argument and frank submission of the facts and persuasion has been sufficient. At times it has even been necessary, as you know, to seek the influence of the Secretary of the Treasury.

The first real test that arose in this rather subtle reaching for authority by the Federal Reserve Board was, as I said above, within a few months of the opening of the Banks. The Board undertook to direct the Federal Reserve Bank of Minneapolis (as I recall) to make a change in its discount rate. The Governor of that Bank protested by direction of its directors, and the matter was brought up at a meeting of the Governors in Washington. At a joint meeting with the Federal Reserve Board, this effort was very frankly discussed, the Board attempted to assert its authority to initiate changes in the rate, and as I was then Chairman of the Governors' Conference, I told the Board, by unanimous direction of the Conference, that if the Board undertook to do so the Reserve Banks would find it necessary to test the Board's power in the courts. It was, of course, a bombshell, resulted in the Board's asking the opinion of the then Attorney-General as to their powers, and while I have never seen the opinion, I have been informed that it was somewhat adverse to the Board's contention, except that in the case of a Bank which proved obviously recalcitrant in remaining out of line with the general level of rates or something of that sort the Board could initiate rate changes. I have since been informed that a later opinion was secured from Attorney-General Daugherty or one of his assistants, which rather sustained the Board's point of view. We at that time consulted Mr.

John G. Johnson of Philadelphia as to what the Act meant, and after some correspondence, as I recall, he wrote an opinion which was substantially similar to the one which I understand was given by President Wilson's Attorney-General and which I believe was written by Mr. John W. Davis, although this is from hearsay.

From that early beginning until the present time, there has been conducted quietly, but nevertheless with a certain degree of success, a systematic effort on the part of some members of the Board to gradually set up precedents which would give them powers greater than the law contemplates to direct the operations of the Reserve Banks from Washington. It would make this letter much too long to recite the various efforts in this direction, but the files of our Bank, of the Governors' Conferences, and I believe equally of the other Reserve Banks, are filled with correspondence, memoranda, opinions of counsel, etc. constituting a long record of resistance by the Banks to efforts by the Board to centralize authority and assume executive duties in Washington. In the first few years of the life of the New York Reserve Bank, committees of our directors and sometimes the entire board, at times visited Washington to protest against this development and, while Secretary Mc Adoo was Chairman of the Board, usually with complete success.

This relates simply to the question of centralization of authority and direction of operations, etc.

The other serious development lies, I believe, in the growing inability of the Board to make prompt decisions and in many cases wise ones where important but nicely balanced questions appear for decision. I think the three outstanding examples are the pension system, what we call the non-

cash collection system, and the Cuban branches. A proposal for a pension system has been pending before the Board for over six years. We have spent about \$100,000 in studying and formulating it, and during that entire six years the Board has never been willing to approve the plan produced from the studies which they originally authorized. Finally, through Mr. Hamlin, a vote was obtained in the Federal Reserve Board to the effect that the Board would raise no objection if the Committee of the Reserve Banks which was handling the matter sought to obtain the necessary legislation from Congress, but the Board would itself assume no responsibility. The Committee got to work actively within the past year. The bill was passed unanimously by the Senate, but has just failed in the House. The result of this delay, which many of us feel was entirely unnecessary and due to dissention and timidity in the Board, has been to accumulate a liability for accrued contributions approaching \$4,000,000. This can be dealt with by a readjustment of the plan, but somewhat to the injury of the enterprise, and the delay of course makes the protection ineffective to the extent that some five or six years of contributions may now never be made.

As to the matter of the non-cash collections, for over three years there has been argued and pending before the Board, whether we should continue this service, and if we do continue it, whether it should be done with or without a service charge. It is the type of service which should be conducted uniformly as to methods and charges throughout the System. The Board has now ruled that the Reserve Banks may continue the service, but charge or not as they please. The result is that some Reserve Banks will charge for doing the work, and others will not - a thoroughly unwholesome situation to be permitted to develop.

In the Cuban matter, which is a very long story, after some intimation from the Department of State, the Board was led to compromise this important question by authorizing the establishment of two branches in Cuba, one for Boston and one for Atlanta, both offices probably being illegal and conducting a business which is not justified either by the situation itself or by the Federal Reserve Act.

I am developing this subject in the two categories: one the effort on the one hand to obtain more authority, and the other the evidence which is now so convincing, that once obtained it is almost impossible to hope that it will be wisely and intelligently exercised; efficiency will be impaired. But there is still another point of view, and that is as to the capacity of any body such as the Federal Reserve Board in Washington to initiate and direct policies in credit matters when they are located such a distance from the money markets, when all their information reaches them by word of mouth and second hand, or through written reports and from very limited sources. There is no bank of issue in the world which has its administrative and executive headquarters elsewhere than in the money capital of the country as well as in the political capital. In our case, if the executive and administrative direction of the System is gradually assumed by the Federal Reserve Board, the political influences which surround the Board in Washington will render so many of their acts subject to fear of political consequences that a clean-cut, decisive, courageous policy by the System will be impossible. Of this we have had abundant evidence time and again, in those matters requiring decision where political considerations might prove to be an influence. Repeatedly we hear from the Federal Reserve Board that this or that must be done or must not be done, because of

the reaction which will be felt in Congress.

All of the above is to give you the background for what I wish to write you about - the present development in our own Bank. Before I left New York, in my conversations with Mr. Jay, Mr. Reynolds, Mr. Woolley and Mr. Reyburn, I took the position that upon Mr. Jay's resignation the wisest and best course would be to secure the appointment of Dr. Burgess if that were possible. If it were not possible, my second choice, as you know, was Mr. Mc Garrah. I had no doubt of Dr. Burgess' ability to fill the position and ultimately to develop into an influential and valuable officer of the Bank and of the System, but of course it would have taken some time. The appointment of Mr. Mc Garrah, I felt, would be in every way a happy one so far as personal relations were concerned, but as I explained at the time, selecting an outside person would be much more likely to open the door to the very development which we all feared, namely, to give a further impetus to the Board's desire to center the executive management of the System in Washington. This letter, in order to give you the whole story, must be frank to the last degree. I happen to have known for some time, as no doubt Mr. Jay explained to you, that the Board is contemplating changes in Federal Reserve Agents in a number of other Banks. There are various causes, but it just so happens that these Banks are Boston, Philadelphia, Cleveland and Chicago. Those four Banks, with the New York Bank, represent three-quarters of the resources of the System, and the Governors of those five Banks constitute the Open Market Committee. Practically all matters of policy are initiated in that Committee. The development of initiative as to policy should originate in the Reserve Banks, where the operations are conducted; supervision and collaboration only should lie with the Board.

Feeling as I did that Mr. Jay's resignation would open the door to just this development, I awaited with much interest the terms of the Board's announcement of the change for some confirmation of my expectation. Certainly the announcement was ample confirmation. I have just now received the enclosed news slip, which is undoubtedly inspired and is further confirmation of my belief that from now on the drift in the System will be in the direction of centralization and that in five or ten years we will not recognize the Federal Reserve System of that day as being even a second cousin of the one that has existed for the past five or ten years. My reason for writing this, I think, is simply common sense. The resistance to this development has centered in the organization of the Governors. It has taken concrete form in the Open Market Committee. Without the least desire to exaggerate my own influence in these matters, the battle has raged over my head most of the time. It unfortunately has happened that every time I have been away in recent years, efforts have been made by the Board to weaken the influence of this Committee and of the Governors. In 1923, when I was in Colorado, the Committee of Governors previously conducting the open market operations (which I had appointed at the Governors' Conference) was summarily dismissed by the Federal Reserve Board and a new Committee appointed, not by the Governors' Conference but by the Federal Reserve Board, the same individuals constituting the new Committee, but with instructions set out in a resolution of the Board which deprived the Reserve Banks of even their statutory powers in the matter of investments in Government securities. A protest was made as to the terms of the resolution, but some lack of perspicacity on the part of those present led them to overlook the fundamental encroachment, which lay in the assumption by the

Reserve Board that they had the power to dismiss such a Committee and appoint a new one subject to their own direction. Similar occurrences of less importance have taken place more recently and at times due, I regret to say, to a lack of vigilance on the part of the members of the Committee, who have missed the point of these efforts by the Board to grasp in greater degree some sort of authority over the operations of the System.

So far I have discovered no one in the Federal Reserve Banks who, when I retire, will be willing to submit to all of the annoyance and give the amount of time necessary, by scrutiny of every single activity of the Reserve Board, so as to lead a proper and necessary resistance to this effort. Certainly the directors of the Reserve Banks have not got the time, nor is it possible for a director to scrutinize everything that transpires with this thought in mind. It is no exaggeration for me to state that the Board, probably under the influence of only two or three of its members, has within the past few months seen an opportunity more favorable than any that has formerly arisen to consolidate its grasp upon the System. I believe that some of them are consciously expecting that, as soon as I retire, they can gradually assume an almost undisputed control of the activities of the Reserve Banks to a degree far beyond what the law originally contemplated, and to an extent which in the end will be disastrous, I believe, to the System and to the country. This will likely be expressed by an attempt to have Federal Reserve Agents serve on the Open Market Committee.

Of course, when Mr. Jay's resignation first became a possibility, I was in Europe and had opportunity without the disability of illness to consider the situation resulting, and all of these fears of mine were most

active at that time and were then expressed to Mr. Jay. On my return, illness made me doubt my own judgment somewhat, but my instinct, which I frequently find a pretty good guide, was so strongly against any outside appointment that only the urgency and persuasiveness of our own directors led me to take the position I did. It had seemed to me that there were so many evidences that the Reserve Board and our own directors felt, as had been repeatedly stated to me, that I had too much the habit of wishing my own way, that I should in this instance, being a matter where I had absolutely no authority, surrender my own views completely to those of my associates, and I did so after making perfectly clear in what direction my doubts lay. Now frankly, Owen, the terms of the Board's announcement and of this undoubtedly inspired article in the News Bureau confirm every doubt that I had in mind at the time of our correspondence. There is nothing in this situation that causes me any personal embarrassment or uneasiness, or even mortification. As you know, I have been for a long time eager to escape any responsibility at all, to nurse my health and to feel that I am a free man. My anxiety is about the Federal Reserve Bank of New York and the Federal Reserve System, and I am writing you this long epistle to express to you my conviction that we are not only headed in the wrong direction, but that we are in imminent danger, looking ahead only but five or ten years, that very grave questions will arise which must be the subject of consideration by Congress and which may indeed result in a very serious strife throughout the country about the System. The enclosed letter of Professor Allyn Young of Harvard is evidence of what may happen.

You may properly ask what other course could have been pursued,

and it is not an easy question to answer. The course which was followed was certainly the easiest. The alternative, I believe, was the one which I had advocated before leaving for Europe, and that was a definite, clearly drawn issue between the Federal Reserve Banks and the Federal Reserve Board on all these points where the Board was seeking to encroach in its authority. You must not gather from the above that I have not considered the possibilities of an equally successful System in case the Board were able to get the right type of men as Chairmen of the Reserve Banks and have what might be called a "Class C" management of the Banks, with the Board directly governing the activities of the Federal Reserve Agent, who would then be the executive head of the Bank. I think I can assert without reservation that such a scheme of management would be impossible of success. The Board has never been successful since the System got started (except in the case of Mr. McGarrah) in getting the type of men essential to such a scheme, and they have endeavored to exercise such a domination of those they have appointed as to render them ineffective as managers anyway. Mr. Jay, Mr. Wills of Cleveland, and Mr. Perin of San Francisco were the outstanding examples of first rank men who were not dominated by the Board. Mr. Wills, who never had a high regard for the Board, died recently; Mr. Jay, as you have doubtless learned, never really had the confidence of the Board; and Mr. Perin has been forced to resign in despair. No one of those Banks could be said to be run by the Federal Reserve Board, because the Chairmen in each case declined to submit to their domination. In the other nine Banks, the Governors have dominated in each instance. A "Class C" type of management for the System would result very promptly in losing some of the best men we have got in the

Reserve Banks. (In our own Bank I would expect shortly to lose Case, Harrison, Rounds and Gilbert). The executive heads would all of them owe their positions to the Federal Reserve Board. However honest such a man may be or however independent he may intend to be, after some years in such a position to be faced with losing it, and of subjecting his family to possible distress by doing so, he will usually submit, and that I apprehend would be the situation in the Reserve Banks. The fact now is that six of the nine directors of a Reserve Bank control the selection of the head of the Bank, but if the Board has its way, while the Board names but three of the directors, it will nevertheless select and control the head of the Bank.

There has been ample time down here to think these matters over deliberately. My fear is that circumstances have now led to the development of a situation where it will be almost impossible to stem the tide of centralization. My belief is that this development is absolutely contrary to the conviction and the desire of such men as the President, Secretary Mellon, Senator Glass, and others who understand the System and who have a keen interest in its welfare. I feel very certain that such men as Russell Leffingwell, Parker Gilbert and Gerrard Winston - and there are none in better position to judge than they - will look with grave concern upon the development of such a plan for the Federal Reserve System as is forecast in this inspired article of the Wall Street Journal.

Now the question is, what to do about it. After expressing the views which I held, possibly not as urgently as I would have expressed them had I been sure of the future as to my health, etc., our directors, Mr. Mellon and the Federal Reserve Board have decided upon what to do in our own case,

3/6/27.

and I suppose the Federal Reserve Board will now decide what to do in the case of the other four Banks I have mentioned, and probably in one or two others which I believe are somewhat in their minds. I personally feel that my last responsibility is discharged in making clear all that I feel about it. You and my other associates in the Bank have been so wonderfully loyal and understanding and sympathetic in your attitude to me, that I feel more than willing, even more than obliged, to conform to any course which seems to them to be wise. It is nevertheless a question as to whether this course, which I now feel is clearly embarked upon, will not force me to abandon all hope of achieving anything further in the matters in which I have been particularly interested all these years.

If I should resign now, I fear only adding to the difficulty and embarrassment. Even though it may subject me to some criticism, it has seemed to me that I should continue at least long enough to get the drift of matters personally and on the ground and form a better opinion than I now can as to what my real duty is. But for the last few weeks, I have felt that it was impossible for me to remain silent and watch this development without some warning.

I have opened my mind to you very fully, but with the conviction that, for the present, it should go no further. The thought has been growing on me that possibly the best plan would be for me to arrange to meet you in Washington within, say, a couple of weeks, as I could probably then make the trip without much risk, so that we could discuss this situation frankly with Secretary Mellon and, if necessary, with the President. I am sensible of some embarrassment because of the fact that you are now a Class C director and Vice-Chairman of the board and feel a natural sense of responsibility to

18.

Mr. Young.

3/6/27.

the board, which I would not for a minute ask you to lay aside and especially not if you did not pretty fully agree with some of the concern which I have expressed. So I shall conclude by asking you to hold this letter in confidence for the moment and consider whether such a visit in Washington is not the wisest course as preliminary to any conclusion which I might otherwise reach.

With best regards, I remain

Sincerely yours,

Mr. Owen D. Young,
120 Broadway,
New York City.

BS:H

From Harrison Collection

RECEIVED

MAR 21 1927

G. L. H.

FEDERAL RESERVE BANK

OF NEW YORK

PERSONAL AND
CONFIDENTIAL

March 17, 1927.

Dear Mr. Harrison:

Yours of the 15th reporting your talk with Mr. Hamlin has been received, and, of course, I have read it with much satisfaction.

The difficulty we are bound to encounter will be due to certain inertia in the Reserve banks, as well as the very natural unwillingness to start anything like a row or an issue. I can fully understand and sympathize with the attitude of the directors of Reserve banks, and really much will depend upon whether Senator Glass is willing to pursue his intention of writing the Secretary and himself making the subject a matter of inquiry possibly in Congress. I have sometimes felt that it would be a good thing to have a real inquiry as to the way the Reserve System had functioned. Such an inquiry could not be conducted by the Banking and Currency Committee, but could well be conducted by a small sub-committee. But it is not a project that I want to promote, at least until other efforts had failed.

I should be glad to hear anything further that you learn about the letter Senator Glass proposes to write.

With best regards, as always,

Sincerely yours,

Mr. George L. Harrison,
C/o Federal Reserve Bank,
33 Liberty Street, New York.

Ben. Strong

Copy on 0/0.8. Harrison

PERSONAL AND
CONFIDENTIAL

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I should be glad to hear anything further that you learn about the letter Senator Glass proposes to write.

With best regards, as always,

Sincerely yours,

Mr. George L. Harrison,
C/o Federal Reserve Bank,
33 Liberty Street, New York.

[From Harrison Collection]

FEDERAL RESERVE BANK
OF NEW YORK

August 9, 1937

Dear Mr. Harrison:

Things are very quiet here and I do not know of anything to bring you back as soon as you plan to come, so I am writing to say that you should stay on for a month anyway and get a decent rest. And unless things liven up, I would stay longer. It isn't worth while impairing your health when there is really nothing to keep you here.

You will be interested to know that both Norman and Schacht have agreed to November 1 for the Polish agreement and we have notified the Bank of France so that they can go ahead with the letters. Sterling at 4.86-1/8 means that there is nothing to fuss about there. In fact I don't know of a thing that need make you uneasy about being away. I shall be here with the exception of a few days at a time, but I begin to doubt whether we are successful in having quorums at our directors' meetings for the next few weeks.

The banks are borrowing a bit more than expected, but this gives us the opportunity to buy some more securities, which we are doing. We will be up to \$300,000,000 by the end of this week and possibly buy the entire \$50,000,000 authorized at the last meeting which would give us a total of \$315,000,000.

I saw Dr. Miller this morning. He went all over me and says that he is pretty well satisfied with my condition. He rather approves the

idea of my taking a winter vacation this year. If I carry out my present plan it would enable me to have a talk with our friends abroad and, after the meeting, take a holiday in some nice place on the Riviera.

Take care of yourself; don't overdo the golf and don't come back until you are feeling fit and with a good margin to spare.

Faithfully yours,



Mr. George L. Harrison,
c/o Mr. Thomas W. Bowers,
West Chop,
Martha's Vineyard, Mass.

[From Harrison Collection]

FEDERAL RESERVE BANK
OF NEW YORK

August 15, 1927.

Dear Mr. Harrison:

This is simply to reinforce my earlier letter about remaining away longer than the fortnight which you first suggested. Things are very quiet and there is really no need for you to return.

The arrangement with the First National Bank, which was confidentially discussed last month, has been effected today.

There has been a little more demand for money than we anticipated so we purchased \$40,000,000 of the \$50,000,000 of securities authorized at the last meeting in Washington. This has eased things up a bit and offsets the considerable trend to the interior which seems to persist.

You have observed, I suppose, that seven of the reserve banks are now down to 3-1/2%. It was a good job and on the whole has been well received.

Please take care of yourself; have a good rest; and don't worry about the bank. Case is back looking very fit, and we are neither short-handed nor over-worked.

Best regards to you.

Sincerely yours,

Res: Strong

Mr. George L. Harrison,
c/o Mr. T. W. Bowers,
West Chop, Marthas Vinyard, Mass.

Harrison

August 15, 1927.

Dear Mr. Harrison:

This is simply to reinforce my earlier letter about remaining away longer than the fortnight which you first suggested. Things are very quiet and there is really no need for you to return.

The arrangement with the First National Bank, which was confidentially discussed last month, has been effected today.

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Please take care of yourself; have a good rest; and don't worry about the bank. Case is back looking very fit, and we are neither short-handed nor over-worked.

Best regards to you.

Sincerely yours,

Mr. George L. Harrison,
c/o Mr. T. W. Bowers,
West Chop, Marthas Vinyard, Mass.

[From Harrison Collection]

FEDERAL RESERVE BANK
OF NEW YORK

August 16, 1927.

Dear Mr. Harrison:

Many thanks for your note of the twelfth which tells me just what I wished to hear about your holiday, but which does not assure me that you are going to stay away as long as you should.

You will be interested to know that yesterday we liquidated £1,000,000 of our London account, the exchange market being rather strong all day long. Of course if we reduce the balance very considerably it will necessitate buying more securities here to offset the impairment of bank reserves.

There is no news other than what I have already written you, so please have no feeling of uneasiness about the bank.

I have been thinking over Ogden Mills' request that we prepare a section for the Secretary's annual report on the subject of gold, and it struck me that you might care to be thinking about it while away. My idea, subject to further thought, is to divide the article into four sections:

- I. The Figures. This should show -
 - (a) The gold supply of the country and how it is distributed.
 - (b) Gold movements since 1914 in and out.
 - (c) How the gold is divided between coin, bars, and the amount of certificates in circulation.

- II. The Law. There should be an analysis of the law covering -
 - (a) Buying and selling gold
 - (b) Provisions as to bars and coins
 - (c) Provisions as to charges.

- III. Our Practice. This should describe -
 - (a) The Assay Office practice
 - (b) The Federal Reserve Bank Practice.

IV. The Gold Points. This should be a careful analysis of -

- (a) All items which affect the gold movement.
- (b) Just how the gold movement works with regard to our present law and practice.

With this analysis of the present situation, it would be easy to lay out a description of changes to law or practice if one or both are needed in order to improve our gold position vis-a-vis the rest of the world.

We ought to describe how our gold market at present offers inducements for gold to get into the mouse trap and the difficulties presented as to its getting out.

I think we also might bring in some description of how we were able to absorb gold from the rest of the world without great price inflation, and take a crack at Keynes in his idea that we have a wasteful policy as to gold just because we have decided to run on an 80% reserve, or thereabouts, instead of inflating until our reserve gets down to 50% or thereabouts; and that a high reserve position is simply the price we are willing to pay for sound monetary and business conditions in the country.

My best to you.

Sincerely yours,

Benj. Strong

m.B.R.

Mr. G. L. Harrison,
c/o Mr. T. W. Bowers,
West Chop, Marthas Vinyard, Mass.

(Dictated but not read)

Dr. Harrison:

Written in pencil [From Harrison Collection]

It relieved me to have your letter of the 18th and to learn that you will extend your stay. Until you had really left I do not think I was as conscious as I should have been of your need for the rest and possibly it is explained by the invariably self-centered point of view of a chronic invalid and not thinking of the troubles of other people of less seriousness. I am not going to lecture you, for I have had so many of those curtain lectures myself that I know how tiresome they get to be.

The papers you ask for are being sent to you so that you can think over the gold matter. There is not much news of interest except that we are rather rapidly liquidating our London balances while the exchange market is strong, following a suggestion from Governor Norman that we do so. Nearly half have been sold in the market at not less than 4.86 3/16, and we are suggesting to him that he buy no gold for our account except it would otherwise certainly come to us, and unless the price is right. But we are not liable to get any gold so long as the exchange remains at the present level and so long as Argentina is skimming the London market of the surplus and taking some gold directly from South Africa. The exchange in their favor is the result of large exports.

Very confidentially, I have had some talks with Mason about his plans, and, last Thursday, discussed it fully with our directors. It seemed desirable to await your return before going ahead further, as there was a strong reaction at the board meeting in favor of considering Logan as a possibility.

I have just returned from four or five days at Woods Hole where we had execrable weather, and I had a bad trip back on account of fog and the whistle blowing all night. I suppose you have had equally bad weather at Marthas Vineyard.

You are doing quite right not to fatigue yourself with too much exercise, golf, etc. You are in need of a rest and I am glad you are getting it. Do take care of yourself.

Affectionately yours,

Ben Strong

Mr. George L. Harrison,
C/o Mrs. Geoffrey Keyes,
Jamestown, R. I.

BS/RAH

Harrison

August 24, 1927.

Dear Mr. Harrison:

It relieved me to have your letter of the 18th and to learn that you will extend your stay. Until you had really left I do not think I was as conscious as I should have been of your need for the rest and possibly it is explained by the invariably self-centered point of view of a chronic invalid and not thinking of the troubles of other people of less seriousness. I am not going to lecture you, for I have had so many of those curtain lectures myself that I know how tiresome they get to be.

The papers you ask for are being sent to you so that you can think over the gold matter. There is not much news of interest except that we are rather rapidly liquidating our London balances while the exchange market is strong, following a suggestion from Governor Norman that we do so. Nearly half have been sold in the market at not less than 4.86 3/16, and we are suggesting to him that he buy no gold for our account except it would otherwise certainly come to us, and unless the price is right. But we are not liable to get any gold so long as the exchange remains at the present level and so long as Argentina is skimming the London market of the surplus and taking some gold directly from South Africa. The exchanges in their favor is the result of large exports.

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I have just returned from four or five days at Woods Hole where we had execrable weather, and I had a bad trip back on account of fog and the whistle blowing all night. I suppose you have had equally bad weather at Marthas Vineyard.

8/24/27.

You are doing quite right not to fatigue yourself with too much exercise, golf, etc. You are in need of a rest and I am glad you are getting it. Do take care of yourself.

Affectionately yours,

Mr. George L. Harrison,
C/o Mrs. Geoffrey Keyes,
Jamestown, R. I.

BS/RAH

[From Harrison Collection]

FEDERAL RESERVE BANK
OF NEW YORK

August 25, 1927.

Dear Mr. Harrison:

The time for our next Governors' conference is approaching, and I am anxious that we should make it an interesting one. How do you feel about the date, and how would you like to give a little thought to topics while you are away? Don't burden yourself with it, but if you happen to have a pencil and a piece of paper in your pocket, just jot it down like Doctor Pangloss.

We have liquidated a total of £7,000,000 sterling, and now are about to increase the price. The sterling market is still strong.

Don't bother to write if you are disinclined to.

With best regards to you,

Faithfully yours,

Mr. George L. Harrison,
C/o Mrs. Goeffrey Keyes,
Jamestown, Rhode Island.

BS/RAH

FEDERAL RESERVE BANK
OF NEW YORK

[From Harrison Collection]

OFFICE CORRESPONDENCE

DATE October 17, 1927 1927

Mr. Harrison

SUBJECT: _____

FROM Governor Strong

I have told you of my talk with Mr. Crane. I will take this matter up with you as soon as he returns to the office.

*Miss McConch
Please hold under
paid until tomorrow*

[From Harrison Collection]

Holiday Greetings

WESTERN UNION



A 516 RAN O

SS MAURETANIA GEX RONY 16

GEORGE HARRISON

YALE CLUB NEWYORK (NY)

AND THE SAME TO YOU GOOD FRIEND MOST HEARTILY

BENJ STRONG.

FEDERAL RESERVE BANK
OF NEW YORK

SENT BY Miss McCarrick

COPY OF TELEGRAM

Feb. 9,

[From Harrison Collection]
1928 FEB 9 AM 10 28
FEDERAL RESERVE BANK
OF NEW YORK
WIRE TRANSFER DIVISION

George L. Harrison
Good Hope Plantation
Ridgeland South Carolina.

January
Governor plans to go to Atlantic City on
February 16 for a few weeks Will probably sail on
March 17 or April 1 Am writing

McCarrick

On G. L. H. file

[From Harrison's Collection]

THIRTY THREE LIBERTY STREET
NEW YORK

February 11, 1928.

Dear Mr. Harrison:

Mr. Strong has asked me to augment the letter Miss McCarrick wrote you Thursday by saying he hoped very much you would take a little extra vacation.

In case Miss McCarrick's letter did not reach you, owing to your change of address, she wrote to you on Thursday that Dr. Miller had advised Mr. Strong to go to Atlantic City for a couple of weeks, and to postpone his sailing until after the middle of March. So Mr. Strong is planning to go to Atlantic City on about February 16 and to sail either March 17 or April 7, depending upon the steamship accommodations.

She also wrote you that Mr. Strong was trying to arrange a meeting consisting of you, Congressman Strong and himself at Atlantic City. But since then Governor Young has arranged for Congressman Strong and himself to meet at Governor Strong's apartment on Monday, the 13th, so there probably will be no meeting at Atlantic City.

Mr. Strong continues to improve steadily, I think, and his spirits keep up in spite of another postponement of his trip.

Very truly yours,

R. A. Holmes

Mr. George L. Harrison,
C/o F. L. McGinnis,
James Deering property,
Miami, Florida.

From Harrison Collection

Form 1228A

Charge to the account of G.L.Harrison 33 Liberty St. \$ _____

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

WESTERN UNION TELEGRAM

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

NO.	CASH CHG
CHECK	
TIME FILED	

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

February 15, 1928

Mr. George L. Harrison
Hotel Poinciana
Palm Beach Florida

No news Strong leaves Friday for Atlantic
City and will be at Hotel Brighton Awaiting advice
disposition opera tickets

McCarrick

[From Harrison Collection]

OFFICE CORRESPONDENCE

DATE March 5, 1928 1928To Mr. Harrison

SUBJECT: _____

FROM Governor Strong

I told you by telephone about Dr. Miller's report and now I am enclosing a copy of it. In view of this I have decided to return to New York on Wednesday by the 2:30 train. While it is all right down here I don't believe the advantage of climate compensates for some of the inconveniences, and I am anxious to start in with the lamp as soon as possible.

I am relying on you or someone to arrange about Rist and Quesnay, whom I assume should stop with me at the Marguery.

(C O P Y)

March 2, 1928.

Mr. Benjamin Strong,
Hotel Brighton,
Atlantic City, N. J.

Dear Governor Strong:

I have your letter and am sorry that everything has not gone entirely as you would like at Atlantic City, but on the whole I do not think your report is discouraging. Nor do I think it indicates any slipping back. I feel very confident that you have not really had any renewed activity of your old trouble and consequently, I feel we have more freedom in allowing you liberty concerning your plans. Therefore I do not feel it is necessary to insist on your staying at Atlantic City at the present time. If the matters that draw you to New York are really important and you really could attend to them in the way you indicate in your letter, I think it would be all right to come back. If you do so I should want you to arrange to have your lamp treatment which I think would be a real advantage. We can then see just how you are and, after all, it is a simple matter to go back to Atlantic City if you have to, even though you do not get just the rooms you would especially like. On the other hand, I think it is quite likely you may not have to return at all.

Very sincerely yours,

(Signed) James Alexander Miller

[From Harrison
Collection]

CORRESPONDANCE

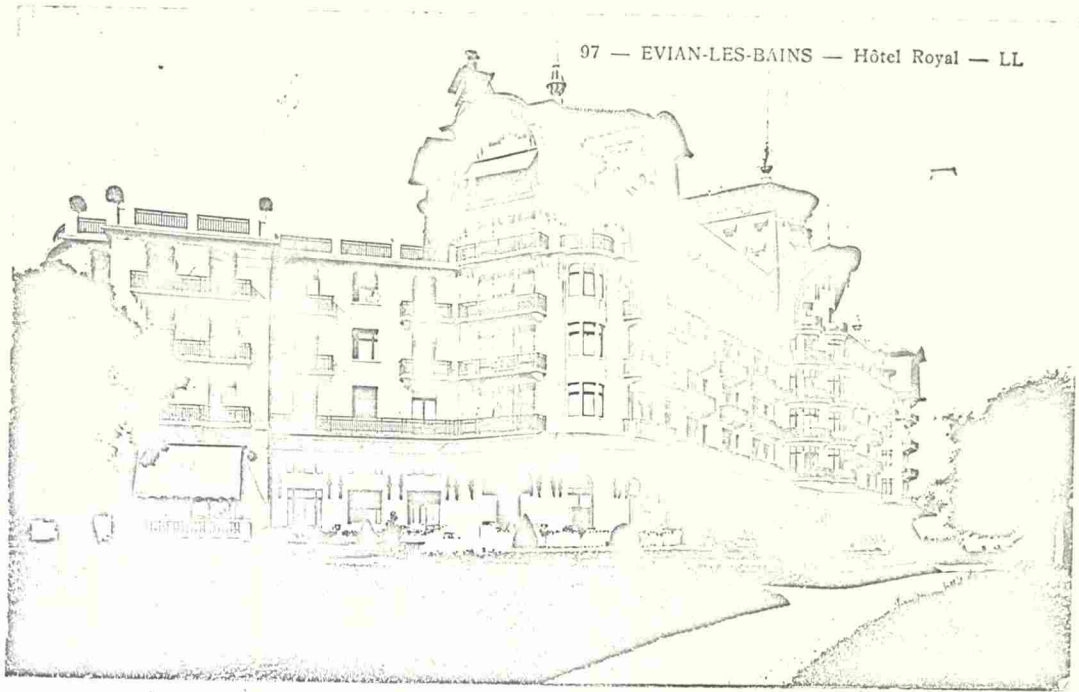
EVIA 20
5-7
BOISSIE
HOTTE SAVUI



This is what it looks
like "close up." It's
a very fine hotel and
excellent service. In
getting along. Lunch
in Geneva with Su'a.
On Sat. Die try to heal ~~some~~!

LEVY & NEURDEIN REUNIS 44, RUE LAFITTE PARIS

Mr. Geo L. Harrison
Federal Reserve Bank
New York City
U.S.A.



Royal Hotel,
Evian-les-Bains, July 20, 1928.

Dear Mr. Harrison:

Mr. Dean Jay has just sent me a copy of his cable from New York No. 64,802, in which (Paragraph 5) I notice a rather disturbing expression of views about the money market position in New York. It suggests to my mind the desirability of your having a little talk with some of them at Morgan's office, to ascertain upon what their views are based. We must not have any calamity in the money market, and I believe it is wholly in our power to prevent it.

I will be glad to be home in order to discuss all these problems with you and the others.

Best regards to you all.

Sincerely yours,

Mr. G. L. Harrison,
33 Liberty Street,
New York.

ES:M