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TREASURY DEPARTMENT
SECOND FEDERAL RESERVE DISTRICT
LIBERTY LOAN COMMITTEE
120 BROADWAY
NEW YORK

LIBRARY
CENTRAL LIBERTY LOAN
ORGANIZATION

SEP 18 1918
BENJAMIN STRONG
CHAIRMAN

FEDERAL RESERVE BANK
SHEPARD A. MORGAN
COMPTROLLER

THE LIBERTY LOAN COMMITTEE

- BENJAMIN STRONG, CHAIRMAN
- JAMES S. ALEXANDER
- GEORGE F. BAKER
- ALLEN B. FORBES
- WALTER E. FREW
- GATES W. MCGARRAH
- J. P. MORGAN
- SEWARD PROSSER
- CHARLES H. SABIN
- JACOB H. SCHIFF
- FRANK A. VANDERLIP
- MARTIN VOGEL
- JAMES N. WALLACE
- ALBERT H. WIGGIN
- WILLIAM WOODWARD

5 December, 1918.

Mr. Beyer,
Governor Strong's Secretary.

Dear Mr. Beyer:

Attached is a check for \$75.30, in partial reimbursement for Governor Strong's payment to Delmonico's in the amount of \$96.50. The unpaid amount is for cigars, etc. which are barred items, and which I am sure Governor Strong would not want us to bill to Washington.

I spoke to Mr. Barrows the other day about this item and the one for the Down Town Association which was partially paid the other day. I believe Mr. Barrows has received from Mr. Emerson a number of non-reimbursable items which will be paid out of special funds to be collected from members of the Central Committee. It seems to me that the unpaid balance of Governor Strong's two bills could be included in that special fund. I suggest that you give the amounts to Mr. Barrows.

Please have the voucher receipted and return it in the enclosed envelope.

Yours very truly,

Shepard A. Morgan X
Comptroller.

SAM:R

FEDERAL RESERVE BANK
OF NEW YORK

29 May, 1919

Dear Mr. Strong,

Merited or not, your words last night are about the finest acknowledgment one could have of work done. On the other side, had not the members of the organization from top to bottom been perfectly sure of your support in all efforts to realize your high purposes, and had not those high purposes been visible in your own example, we would not have amounted to much. Moreover, even last night, you can scarcely have become aware of the affection in which this organization holds you. That, after all, is about the best reward one can hope for, and happily it is yours.

Faithfully yours,

Stephan Morgan

FEDERAL RESERVE BANK

NEW YORK

FILES DIVISION
MAY 28 1928
FEDERAL RESERVE BANK
OF NEW YORK

2 May 1928

[Faint, mostly illegible handwritten text, possibly a letter or report, covering the majority of the page.]

LIBRARY

JUN 1 1919

FEDERAL RESERVE BANK
JUN 29, 1919.

Dear Mr. Morgan:

I wish time permitted me to reply to your note with my own fist but I am sacrificing that for promptness.

It is a very splendid and impressive thing to have the evidences of regard and affection and confidence that have been shown me by the members of our organization. It makes me feel my sense of responsibility and at the same time gives me a feeling of humility which is quite difficult to describe, but nothing I can say can express the real pleasure and satisfaction that I have gained from it all.

You have been a splendid right hand, have not failed to catch the idea that I was after which needed but slight expression to you in order to be carried out. That has been true throughout the organization. It explains its success and is furthermore the explanation why I always reiterate that it is the organization itself as a whole and the spirit behind it that deserves the credit.

A thousand thanks for your letter and for all that you have done so willingly and generously.

Sincerely yours,

Shepard Morgan, Esq.,
Federal Reserve Bank of New York,
New York.

RM

BS/MLB

LIBRARY

JUN 7 1919

June 6, 1919
FEDERAL RESERVE BANK

Dear Mr. Morgan:

The successful conclusion of the Fifth Liberty Loan, more successful in this district than in any other, means the disbanding of our great Liberty Loan Organization. There are certain members of the organization to whom I am addressing this personal letter, although unable to do so to all of them, as I would most prefer.

The work which you and your associates have performed has been an accomplishment of the very first order in finance and in patriotism. The pride which I have personally felt in this organization is justified by the character of the men and women in it even more than by the results which they have accomplished. I know how difficult some of the work has been; what a tremendous strain it has imposed upon all the members of the organization; and what sacrifices in many cases the work has required, and by men and women who were little able to afford them.

This letter is to express to you my gratitude for the loyalty which you have all shown to me as the nominal head of the organization, and particularly for your loyalty to a great undertaking, as that was chiefly responsible for an equally great success.

With many good wishes, I am,

Faithfully yours,

Shepard Morgan, Esq.,
165 East 80th St., New York, N. Y.

BS/MSB

April 1, 1920.

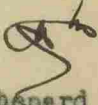
A. Cotsworth, Jr., Esq.,
General Passenger Office,
Chicago, Burlington & Quincy Railway,
547 Jackson Boulevard,
Chicago, Ill.

Dear Mr. Cotsworth:

This is by way of giving you my personal thanks for the kindly service you have undertaken to perform for us at Mr. Bowen's request. It is not the first time that you have helped us and I thank you very sincerely. We have found many times that a railroad man like Mr. Bowen and Mr. Bowen's friends is a great help in a bank like ours.

With kindest regards,

Yours very truly,


Shepard Morgan
Asst. Federal Reserve Agent.

SM:R

FILING DEPT.

FEDERAL RESERVE BANK

April 1, 1920.

INSTRUCTIONS TO PULLMAN CONDUCTORS

We very much appreciate your help in getting this package quickly to San Francisco for Mr. Strong, governor of the Federal Reserve Bank of New York, who is about to sail for Japan. The package contains annual reports of this bank which Mr. Strong is anxious to show to some of the bankers of the Far East.

The package starts from New York on the Broadway Limited at 2:45 P. M. Thursday, April 1, under the care of the Pullman conductor. He will please hand it upon arrival at Chicago to Mr. A. Cotsworth, Jr., ~~xxxxxxxagentx~~ who will call for it on the arrival of the Broadway Limited at Chicago, taking a receipt for it on Form No. 1 attached, which he will please mail to me.

Mr. Cotsworth will please see that the package gets into the hands of the Pullman conductor on board the Overland Limited bound for San Francisco, leaving Chicago at 7:10 P. M. Friday, April 2. He will also please take a receipt on Form No. 2 attached and mail it to me.

The Pullman conductor on the Overland Limited upon his arrival at San Francisco will please deliver it to a representative of the Federal Reserve Bank of San Francisco, who has been asked to meet the train. If such representative should fail to meet the conductor he is requested to deliver it in person to the Federal Reserve Bank of San Francisco. In any case he will please take a receipt from the person to whom he delivers it on Form No. 3, mailing it to me.

All of these services are very much appreciated.

SHEPARD MORGAN

Assistant Federal Reserve Agent.

SM:R

April 1, 1920.

Received from Mr. R. V. Bowen, one package of annual reports,
Federal Reserve Bank of New York, to be delivered on arrival at
Chicago to Mr. A. Cotsworth, Jr., who will meet the train.

Pullman conductor, Broadway Ltd.

Mail in enclosed stamped envelope to Shepard Morgan, Federal Reserve
Bank of New York.

April 1, 1920.

FORM NO. 1

Received from Pullman conductor Broadway Limited, one package of annual reports, Federal Reserve Bank of New York, to be delivered to Pullman conductor, Overland Limited, leaving Chicago at 7:10 p. m. Friday, April 2.

Responsible Mr. A. Cotsworth, Jr.

Mail in enclosed stamped envelope to Shepard Morgan, Federal Reserve Bank of New York.

April 1, 1920.

FORM NO. 2.

Received from Mr. _____, representing Mr.
A. Cotsworth, Jr., of the C. E. & Q. Railway, one package of annual
reports, Federal Reserve Bank of New York, to be delivered on
arrival at San Francisco to representative of the Federal Reserve
Bank of San Francisco.

Pullman conductor, Overland Limited

Mail in enclosed stamped envelope to Shepard Morgan, Federal Reserve
Bank of New York.

April 1, 1920.

FORM No. 3

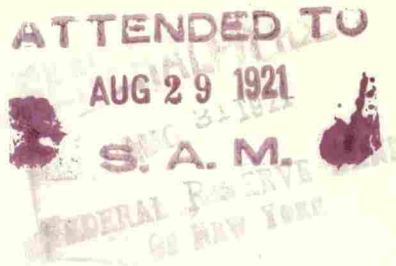
Received from Pullman conductor Overland Limited one package annual reports, Federal Reserve Bank of New York, to be held at the Federal Reserve Bank of San Francisco for Benjamin Strong, governor of the Federal Reserve Bank of New York.

Federal Reserve Bank of San Francisco

Mail in enclosed stamped envelope to Shepard Morgan, Federal Reserve Bank of New York.

FIFTEEN NASSAU STREET
NEW YORK

August 27, 1921.



Shepard Morgan, Esq.,
15 Nassau Street,
New York, N. Y.

Dear Mr. Morgan:

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

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

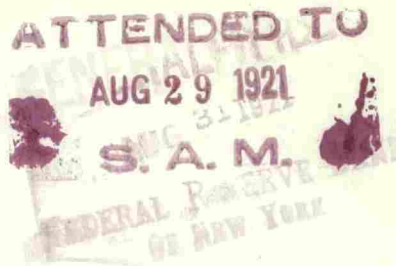
Sincerely yours,

A handwritten signature in dark ink, appearing to be "J. W. Moore".

You
I would like to take care of and run
this party
J. W. M.

FIFTEEN NASSAU STREET
NEW YORK

August 27, 1921.



Shepard Morgan, Esq.,
15 Nassau Street,
New York, N. Y.

Dear Mr. Morgan:

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Sincerely yours,

A handwritten signature in dark ink, appearing to be "J. W. Moore".

You
I would like to take care of and run
this party
J. W. M.

ATTENDED TO *Reid*
AUG 30 1921
S. A. M.

METROPOLITAN CLUB
FIFTH AVENUE & SIXTIETH STREET,
NEW YORK

August 29th 1921

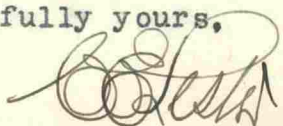
Sheppard Morgan, Esq.,
Federal Reserve Bank,
New York, N. Y.

Dear Sir:-

Pursuant to your request we beg to confirm your
dinner order of this morning as follows:

- Hors d'oeuvres
-
- Golden Queen Melon
-
- Essence Tomato
-
- Filet of Sole, Bonne Femme
-
- Breast of Chicken, Metropolitan
- Cauliflower au gratin
- Souffle Potatoes
-
- Alligator Pear Salad
-
- Assorted Cheese & Crackers
-
- Fresh Peach Bombe
- Fancy Cakes
-
- Coffee
-

To be served at the Metropolitan Club, on Thursday evening
August 30th 1921, at 7.30 o'clock for 15 persons, table to
be decorated, and charged to Mr. Benjamin Strong,

Respectfully yours,

Manager.

Thanks for that suggestion; but I think it better the other way. I am no worse off than when I came to the bank; probably better, and so the bank has no responsibility. Also this arrangement leaves me comparatively foot-loose, bound only by my very strong regard for the bank and its officers. As to that, I could use a much stronger expression, as I think you realize. There is no finer group anywhere, and no happier atmosphere, the Washington relation alone excepted. And that, as Major Taylor said about an unaccountable Park Commissioner, is a cross we have to bear.

Shepard Maynard

132 East Seventy-ninth Street

Edgartown, Mass.

September 16, 1923

Dear Mr. Strong,

I heard at the bank last week that in a month or so more you will be back in New York. On this my best congratulations; but for the sake of all the rest of us don't take any chances.

I am sorry I shall see you before I leave on my year's holiday. Mr. Jay told me that you asked why I did not go on part pay.

If we did not have it, we might not know how content we are.

We sail on the Franconia a week from next Saturday - the 29th. We land at Liverpool and go as directly as possible, with only a day or two each in London and Paris, to Grenoble in the French Alps. We will try it out there for a few weeks, and if it suits, we will put the children in school, take a house and settle down. Later I shall hope to move around somewhat, looking in on some of the new countries in Central Europe. Like Snyder, I am taking a typewriter and may send to the bank

once in a while some of the stuff I see.

The family has spent the summer at Edgartown, and I have commuted most week-ends in the New Bedford boat. One morning in June I took all the way from New Bedford to Wood's Hole with your brother Arch. Fortunately, many other mornings and evenings I have seen him, and enjoyed it thoroughly. He was the main find of the summer.

I wish I had a chance to talk with you about this adventure of ours before we start; I would probably get more out of it if I did. But in deference of seeing you, let me give you my very kindest regards.

Yours faithfully,
Shepard Morgan.

File

SHEPARD MORGAN
BARBARA SPOFFORD MORGAN

Poste et Télégraphe :
Au Crêt de Maubec,
La Tronche,
Isère, France

ACKNOWLEDGED

FEB 16 1924

R. S.

Cable :
Shepard Morgan
Farmtrust, Paris

January 23, 1924

Dear Mr. Strong:

I have been hearing recently in scattered and quite too infrequent letters from the bank, and also from some of our friends in London and Paris, that you are in fine shape. I am glad of that; and I hope that all the things that are going on at home and here won't make you take your coat off too many times a day. I realize the resistance you must be setting up if you keep out at all.

FILES DIV.
FEB 19
FEDERAL RESERVE BANK
NEW YORK

I suspect from the look of the figures and from our experience a year ago, that you and Mr. Jay are keeping your weather eyes open for a renewed expansion. With the unceasing flow of gold, the stability of prices at home during the last year is a marvel; and when people with whom I have talked in France and England speak of it, they express astonishment and invariably ask, "How much longer will it last?" I gather that the astonishment is tinged with some disappointment. Keynes in his new book (which Mr. Norman sent you, but, I understand, without his endorsement) attributes the whole performance to a currency managed by the "Federal Reserve Board". I imagine that the most the System would claim would be some success in adapting the volume of credit to the Physical Volume of Industry and Trade-- to use the phrase that worked so hard last spring. In any case, it has been a unique accomplishment and is generally so regarded over here; and an accomplishment which reflects creditably on those in charge of the direction of the System.

Last week I had two very interesting talks with Mr. Norman in London. We have only just returned to Grenoble, and I am moved to write you as best I can the substance of those conversations. He told me that he had scarcely expected to

be in London at this time; that he had hoped to go over to see you, and in default of that, to take a holiday in the South of France. But conditions in London, particularly those surrounding the election and the advent of a Labor Government, had kept him at home. He looked extremely well and his mind worked as usual like a trap.

Of course the conversation very shortly got on the question of gold, and here I shall compress the substance of short talks on both days. I asked him what he thought of Keynes's book; he said he had not read it and would not read it; he knew the substance of the argument, and was well aware of Keynes's object, in the main inflationary. But assuming a state of affairs in England making it possible to detach sterling from gold and to substitute for gold and its influences a currency managed by the Bank of England, his position would become intolerable. The pressure from [?]informed opinion would be too severe, and he would not be able to stand it. Keynes's plan took no account of politics, which in a sense is human nature. He would rather keep to the traditional forces, proved by experience, which gold and its movements exercise. In England this would be the safeguard that would make an executive position such as his endurable.

As for us, he thought the case somewhat different. From our own point of view, the maintenance of stable prices was highly desirable, and if he were in charge in America he would try to do what the System has so far done. At that point, however, he developed a thought which was entirely new to me, at least in the conclusions to be drawn from it. He said that the development of the world in an economic sense had largely taken place through the power of central banks to create credit out of the gold they had; that in the beginnings of commercial development, Kansas and Illinois as well as Brazil and the Argentine had been supplied with funds for growth out of credit created largely through the agencies of central banking.

At present in the United States new gold was sterilized upon arrival.

In other words, it was not permitted to follow its natural course, and credit was not permitted to expand in proportion to the gold received. I asked him if one was to deduce from that, that the United States if it were really interested in the financial reconstitution of the world ought to proceed to expand on the basis of its gold, at least to the point where the dollar and the pound stood again at parity. He did not reply directly, beyond saying that there was no "ought" about it; nor did he reconcile the conclusion with what he had said before about following the course of sterilization if he were in our boots. He merely repeated that economic experience showed that expansion in proportion to gold was natural and had played a most important part in the development of the world.

So much for that. I had not thought before that a moral issue, as Mr. Hughes used to say, was secreted in stabilization; or, if it was there at all, it worked the other way around, and prompted one to attain it rather than prevent it. I am sure that Mr. Norman would be the first to deny that we had any moral issue at all; merely the long-run benefit to all concerned, possibly.

I gather that there is no immediate prospect of Switzerland, Holland or Sweden, to say nothing of Great Britain, going on the gold standard again. In any case, one will not go on without England, and at the present it seems a long way off for England to think of it, certainly unless we proceed to expand. Responsible opinion in England is apparently as far as ever from artificial stabilization, in spite of the readily recognized benefits of getting back to gold on some basis or other. The rub is not only ⁱⁿ ~~with~~ the relations of England with other nations, but with the colonies; and it is the knowledge of colonial resentment ^{at} ~~of~~ any step toward devaluation that seems to offer the chief deterrent.

They cannot help having their eyes on us, hoping that we will lose control of ourselves and of our gold, and let nature take its course. That for them

is obviously the easiest way out, for we would go to their basis instead of their coming to ours. But in my eye, the dominant moral issue is for us to do the right thing by our own people, to whom only we are responsible, and so maintain the principle in so far as we are able, that credit should remain in fairly constant relation to business. So more strength to you!

On our return through Paris I saw Mr. Young for a moment. He looked a bit worn, but assured me that "the weight of the world was not resting on him very heavily". Thus far they seem to have had no interference. I suspect the fall in the franc has something to do with that. Of course the real obstacle has not yet been met, at least openly,-- that is, how to make a budget for a country when one highly important part of it is an unknown quantity. It would be easy enough to make a budget for Germany with the Ruhr either in or out; but how to make the budget without knowing which, will baffle anybody. If that question can be miraculously settled, Mr. Young thinks the committee will finish up within sixty days. But however it finishes, the result should be good, either producing a constructive report for future action, or a thunder-storm clearing the atmosphere.

While there is general talk in France about the high cost of living, we here on the verge of a provincial city, have not seen any recent important changes. Food is unquestionably high here even in terms of the dollar. Eggs, for instance, are about the same as on Lexington avenue. I get two explanations: one, that the winter has been so severe as to limit the farmers coming to market; the other, that the French workingman upon receiving higher wages has changed his manner of living in only one respect, namely the amount and quality of his food. In almost everything else gold prices are very low, and franc prices, aside from things directly affected by the seasons, do not appear to have changed much since we came three months ago.

Leonard Ayres dined with me in Paris the second day after he arrived.

He gave me an interesting confirmation of something I had heard in London earlier in the week. An English friend of ours, formerly an officer in their regular establishment, had recently come from Berlin where he had been living for about a year. He said that last November "the Jews" were saying good-bye to one another, remarking that they would soon meet in Paris. They were the same crowd that played the Austrian crown, the Polish, and then the German, mark, with brief excursions to Hamburg and other points of disturbance. Ayres said that a large part of the Majestic's passenger list was made up of that kind of vultures; they made no bones discussing on deck and in the smoking rooms how the job was to be done. Of course they could do little if the conditions were not ripe; but they are a sign. I did not see anybody in Paris who thought the franc was near the end of its drop; maybe that furnishes the prospect of its recovery!

This is quite enough of a letter. Please do not trouble to reply; though I would be most happy to have a word from you. When you see your brother Arch please give him my kindest remembrances; knowing him was one of the main pleasures of the summer. We had endless discussions about everything!

We are having an extraordinarily happy time of it, under very delightful conditions. But that belongs to another letter.

My very best regards to yourself.

Yours sincerely,

Shepard Long

Of course I am keeping Mr. Norman's views to myself; but in speaking to me, I know he would not object to my passing on his thoughts to you.

He gave me an interesting confirmation of something I had heard in London earlier in the week. An English friend of mine, formerly an officer in their regular establishment, had recently come from Berlin where he had been invited for about a year. He said that last November "the Jews" were saying good-bye to one another, remarking that they would soon meet in Paris. They were the same crowd that played the Austrian crown, the Polish, and then the German, mark, with brief excursions to Hamburg and other points of disturbance. After said that a large part of the patriotic passenger list was made up of that kind of witness; they made no sense discussing on deck and in the smoking rooms how the job was to be done. Of course they could do little or nothing, but they are a sign.



FEB 4 1921

I did not see any of them in the end of it. I thought the train was near the end of its trip; maybe the prospect of the recovery! This is quite enough of a letter. Please do not trouble to reply; though I would be most happy to have a word from you. When you see your brother, please give him my kindest remembrance; he is one of the main reasons of the summer. We had endless discussions about everything!

We are having an extraordinarily happy time of it, under very delightful conditions. But that belongs to another letter. My very best regards to your family. Yours sincerely,

Handwritten signature

Faint handwritten text at the bottom of the page, possibly bleed-through or a second draft.

February 15, 1924.

The extraordinary development, however, gives some comfort. President Coolidge is undoubtedly undertaking to clean up the mess by every means at his command; he can do a good deal in short order if Congress will leave him alone. The result, I am told, is a wave of reaction throughout the country most favorable to his candidacy for the Presidency. But public opinion changes pretty rapidly in times like these, and one wonders what the next day's newspapers may not exhibit in the way of corruption or stretched bed judgment in these matters, and who the lightning will strike next.

February 16, 1924.

Dear Mr. Morgan:

Your fine letter of January 23 was a little delayed in reaching me because I took a little holiday at Palm Beach, and then shortly after my return had ten days in Washington; but I have finally gotten around to answering it. I can confirm what you heard in London and Paris by saying that I really do seem to be in fine shape. Time will not permit my commenting at length upon all the interesting things in your letter, which deserve extended discussion. You are right that we have "weather eyes" upon the gold problem; and you are quite right in your interpretation of the thoughts - conscious or unconscious - of some of our English critics, especially those who are pious church goers, when you suggest their disappointment that we have not suffered inflation. I think a fair comment upon Keynes' attitude is that he believes in a "managed" currency; he would like to manage ours; he has expected to introduce a certain species of management through excess gold holdings; but so far we have succeeded in managing our own currency with reasonable success, and the reply to Mr. Keynes should be - manage your own currency and we will manage ours.

My prediction would be that in course of time there will be a new philosophy about credit develop which will not be inconsistent with reasonable regard for the old quantity theory. What is in my mind may be briefly comprehended by stating that an existing volume of credit changes in character in part - and the part being a varying proportion of the whole - from static to dynamic and back again. In other words, while volume of credit is an influence, and possibly a major influence, upon prices, the attitude of the mind of the public is also an important influence. If a spirit of enterprise and optimism prevails, more credit becomes dynamic, and consequently reacts upon prices, than is the case when the public is apathetic or apprehensive, when a greater proportion of credit becomes static and the effect upon prices is lessened, if indeed it may not have the effect of reducing prices.

I am glad that you had a talk with Governor Norman, and that he is well. All that you write is what one would expect of him in the present situation.

We are having a wretched time here over the disclosure of what appears to be some secret underhand and possibly corrupt practice in connection with leasing of the Government's oil reserve lands in the West. It is too early yet to comment upon it, but the rumors which are flying around are worse than startling, they are disheartening, and even the disclosures so far made are in themselves shocking.

February 16, 1924.

The outstanding development, however, gives some comfort. President Coolidge is undoubtedly undertaking to clean up the mess by every means at his command; he can do a good job of it in short order if Congress will leave him alone. The result, I am told, is a wave of reaction throughout the country most favorable to his candidacy to the Presidency. But public opinion changes pretty rapidly in times like these, and one wonders what the next day's newspapers may not exhibit in the way of corruption or wretched bad judgment in these matters, and who the lightning will strike next.

I would write you a longer letter, but some matters have come up which make it almost impossible for me to give any more time to mail than a bare minimum. Very confidentially, I may sail for London in a few days for a very short stay, but quite possibly will not get over the Continent at all.

My best to you as always. I hope that both you and Mrs. Morgan and the children are in fine feather.

Very sincerely yours,

Mr. Shepard Morgan,
Au Cret de Maubec,
La Tronche,
Isere, France.

BS.MM

SHEPARD MORGAN
BARBARA SPOFFORD MORGAN

Poste et Télégraphe :

Au Crêt de Maubec,
La Tronche,
Isère, France

Câble :

Shepard Morgan
Farmtrust, Paris

July 1, 1924

Dear Mr. Strong:

I have only just now returned to our home in France after as interesting a three weeks as I ever put in. I covered a good deal of ground, saw many of our friends and made some new ones, and got a thousand impressions. In Paris I called briefly on Mr. Robineau, with, as might be expected, rather negative results; in London I went again to the Bank where I had another half hour with Mr. Norman; in Amsterdam I had two altogether delightful sessions with your friend Dr. Vissering; in Brussels I talked at some length with Mr. Hautain, who had a message which he wanted me to send you; and in Vienna I saw many people, including the officers of the new Austrian National Bank, Dr. Zimmermann the Commissioner General ^{for} the League of Nations, and Dr. Schwarzwald, the stabilizer of the Austrian crown. And while I was in England I went out to Cambridge to spend an afternoon with Mr. Case who gave me news from home. You will see him almost as soon as this letter reaches you, so that I need not tell you how well he looked; it was the very greatest pleasure to see him.

Mr. Hautain's message had to do with his stabilization loan, the arrangements for which I understand are going badly. Arthur Anderson, whom I ran across quite by accident the next day in Paris, told me that the original proposal of the Belgians was that the Government should issue bonds to be held by an especially constituted corporation, that this corporation would issue ~~the~~ bonds to be sold to the public on the security of the Government bonds held by them as collateral, and that in addition to this security would be a guarantee from associated Belgian industrialists. Thus the offering would be only an indirect

obligation of the Government. To this the bankers objected, and both (J. P. Morgan & Co. and the Guaranty, who have been fiscal agents for Belgium) threatened to resign their agencies if their advice was not observed. There the matter rested when Arthur came away early in May, and he was not aware that any change had taken place since.

Yet Mr. Hautain anticipated that the loan would be placed, but whether directly by the Government as the bankers proposed, or indirectly through the corporation as the Belgians proposed, I do not know. He asked me what the Reserve Bank could do to help him sell the bonds. I explained, as he already knew, that the Reserve Banks were not empowered to buy the bonds of foreign Governments. He asked if the Reserve Bank could advise the member banks to buy them. As to that, I pointed to the precedent of the Advisory Council's very general recommendations about giving aid to Europe, adding ~~from~~ my personal view that general rather than specific recommendations were desirable. He responded that Belgium was quite a different thing from some of the new countries of Central Europe!

Pursuing the question of Federal Reserve Bank aid to him, he asked if, in case he placed United States Government obligations with the Reserve Bank, he could obtain loans on them as collateral. I said that of course I was not empowered to give any assurances whatever, but that possibly an arrangement could be worked out whereby the Reserve Bank should purchase such bonds from him on his agreement to re-purchase them at a given time. [I also referred to the agency agreement now in existence, and the possibility of using the Reserve Bank as a depository for funds and as an agent acting entirely on instruction for the purchase of bills for his account in our market.]

*Antoinette
dome*

It was at this point that he threw out his very general ~~message~~ ^{message:} "Please ask Mr. Strong how he can help us." When I told him that I did not expect to see you until autumn, he asked me to write.

For my own part, I am not entirely satisfied that a loan for stabiliza-

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*Louis
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tion purposes would be an unmixed blessing for Belgium, even if it were successfully placed. The Belgian purpose is to divorce the Belgian franc from the French franc; indeed, Mr. Hautain developed a good deal of Gallic intensity when he described the dependence of the Belgian on the French franc. But the fact is that it is dependent, whether desirable or not; conditions both financial and political conspire to make it so. Consequently, unless the two currencies were stabilized at some reasonable figure by the same agent at the same time, Belgium would be in a fair way to lose some or all the proceeds of her loan. I heard in Vienna that Fred Kent had been trying to work out a plan whereby there should be a general stabilization carried on simultaneously among several currencies. It was inferred that the obstacles had proved too many.

Another aspect of the stabilization idea presented itself to me during my conversations in Austria. They are immensely proud there of the stability of the crown during the last year and a half. The Anglo-Austrian Bank, for instance, has circulated a big chart showing the course of several exchanges during 1923, with the remark that "the American dollar and the Austrian crown have been the two most stable currencies in the world." But the stabilization has not been without its penalties. During the winter they had a very active stock speculation and stocks appreciated about seventy-five per cent. At the same time credit expanded largely, the issue of currency increased correspondingly and commodity prices rose. Nevertheless Austrian exchange remained firm, partly because funds were attracted to the Vienna market and partly because the League of Nations loan was still largely available abroad. One fairly authoritative estimate given me was that it had cost Austria "only about \$2,000,000 to keep the crown stable"--- \$2,000,000, that is, of the proceeds of the loan. Further, had support been withdrawn and had the crown been permitted to run its course, while no doubt speculation would not have been discouraged, real values might not have been wiped out to the extent that has been the case. Vienna is now in the midst of a severe crisis, and stocks are down forty to fifty per cent. One big bank closed the morning before

I left.

All this does not have much to do with Mr. Hautain's message to you.

In fact, for an isolated adventure in stabilization I have not much to suggest, particularly as to the Reserve Bank's part in it. I conjecture that once his bonds are sold, he will want to keep as small an inactive balance as possible. Obviously it would best satisfy theoretical requirements to have this balance kept with the Reserve Bank as gold under earmark; practically a deposit balance would do as well. Probably he could count either as reserve if he wanted to. But I conjecture that what he wants is to invest the proceeds of the loan in United States Governments, borrow against them as occasion requires, and use the funds so acquired for stabilization purposes.

If you have in mind any more ambitious programme which you would like to have carried to him otherwise than in a letter, I should be glad to go up there again and talk it out, leaving all conclusions for your determination. Perhaps, however, all that is necessary is a letter to him, showing how the present agency agreement would apply under the new conditions of a successful loan.

I ought to add for the sake of the record that I made it entirely clear to him, as to all the others with whom I have talked, that my visit was wholly personal and that my conversation was my own and not the bank's.

I am looking forward to seeing Mr. Jay in August. I narrowly missed seeing you on the Majestic last May, for I was all packed up and ready to put my mother-in-law aboard that ship on her way home after a couple of months with us. My very best regards to you and my good wishes. Also Dr. Vissering's.

Yours sincerely,

Shepard Morgan

One word more. Of course in my talk with A. de A. in Paris I did not refer to Mr. Hautain's message to you, or anything relating to it.

All this does not have much to do with Mr. Hamilton's message to you.

In fact, for an isolated adventure in stabilization I have not much to suggest, particularly as to the Reserve Bank's part in it. I conjecture that once his bonds are sold, he will want to keep an ample inactive balance as possible. Obviously it would best satisfy theoretical requirements to have this balance kept with the Reserve Bank as gold under contract; practically a deposit balance

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Yours sincerely,

Wesley Clair Mitchell

See report of the Hamilton message in your report on matters relating to the money market. Of course in my letter to Mr. A. in Paris I did not refer to the Hamilton message in your report on matters relating to the money market.

Morgan

July 31, 1924.

Dear Mr. Morgan:

I hope you will pardon the long delay in replying to your fine letter. I was most interested in all that you write and especially to learn that you are well.

Mr. Jay is just now abroad, and you have doubtless heard from him. I have no doubt that you will find the means to see him before his return. I am sending him copy of a letter recently addressed to Mr. Hautain of the National Bank of Belgium, and doubtless Mr. Jay will be able to give Mr. Hautain all the information he needs about what the Federal Reserve Bank could do for him in this country. It is not as much as he needs to have done, and I think both Mr. Jay and I feel that there is very little which he ought to attempt in the way of stabilization transactions until after the whole subject of reparations and inter-allied debts has been in some way dealt with.

Things here are very quiet, Money is tremendously easy, Gold is still coming in at a great rate and we are all wondering how soon its poisonous effect may be felt.

With every good wish to you, and many thanks for your letter,

Yours sincerely,

Mr. Shepard Morgan,
Au Cret de Maubec,
La Tronche,
Isere, France.

PS.MN