MISC. 4. 1-120 M-1-20

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE September 23, 1921

TO Governor Strong

SUBJECT: Employment Inquiry

FROM W. R. Burgess

I am sending herewith all of the returns which we have thus far received in response to our employment inquiry. I have not attempted to make any tabulation or summary of the results as they are in the main impressionistic rather than exact. I have had extra copies made of a statistical statement concerning changes in the working force in the yards of the New York Shipbuilding Corporation, since it seems to me that this statement might be placed with any data which the Committee is putting together.

W.R.B.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE September 24, 1921

TO Governor Strong

SUBJECT:

FROM W. R. Burgess

The attached page, taken from the Financial and Commercial Chronicle for August 27, 1921, gives in full the report made by Mr. Davis to the Senate ~~Committee~~. The essential figures making up the total estimate of unemployment are as follows:

Manufacturing and mechanical industries (including building trades)	3,900,000
Mining	250,000
Transportation	800,000
Trade and clerical workers	450,000
Domestic and personal service	335,000
TOTAL	5,735,000

It is clear that in his letter Mr. Davis qualified his estimate much more fully than one would have been led to believe by later comments. The letter points out that practically the only figure in the estimate for which substantiating evidence is available is that for industries. The letter further points out that the figures submitted are simply for the numbers of persons released from occupations, rather than the number of persons unemployed.

The estimate of 3,900,000 released from manufacturing and mechanical industries is based on a survey made by the United States Employment Service in January, 1921, a copy of which is attached. The amount of unemployment found by this survey has been brought down to date in accordance with the percentage changes shown by current reports to the Employment Service by about 1,500 concerns. The estimate appears to me to be somewhat too high. The survey was in no sense a census, but was rather a collection of opinions and miscellaneous records. The other data which we have available, and which seem to me somewhat more substantial in character, MISC.3.1-90M-1-20

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE September 24, 1921

TO Governor Strong

SUBJECT:

FROM W. R. Burgess

indicate a somewhat smaller decrease in the number of employees. The indices for both the United States and for New York State which we have been carrying and which are illustrated by the diagrams which I am sending in the accompanying report, show a decline in employment in industrial establishments of New York State of about 30 per cent between the highest point in 1920 and the present, and in the United States as a whole of 24 per cent from the high point of 1920 to the present. The modest survey which the twelve Federal Reserve Banks made of the employment situation in April of this year showed a reduction of 24 per cent between April, 1920 and April, 1921. I am attaching a copy of our Monthly Review which contains a report of that survey. While none of these three studies are as pretentious in their scope as the survey made by the United States Employment Service, they have the advantage of greater uniformity of treatment and closer control over the method of collecting figures. On the basis of these other figures, I should think that 3,000,000 would be much nearer to the actual number of persons released from industry than 3,900,000.

Concerning mining the situation is somewhat peculiar in that reduced operations of the mines in general mean more part-time work rather than unemployment. Mr. R. H. Williams tells us that there is little free movement of workers in the mining industry and that from repeated experience they are probably better able to go through periods of slack work than most other industrial workers. Of course slack work is chronic in the mining industry, as it is an overmanned industry. In considering the number of unemployed to determine what general measures of relief should be undertaken, I should question the wisdom of including the miners. What they need is more

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE

TO

SUBJECT:

FROM

mining. They are a specific problem unto themselves.

I have no way of checking the figures on transporation. They seem extraordinarily high in view of the fact that railroads have to keep on operating in times of depression on almost as large a scale as in other periods. The shipping group is of course a large one, but 800,000 seems to be altogether too high.

As to trade and clerical workers, the department stores of this City report to us that there has been practically no diminution in their working forces and the reports which the Federal Reserve Board receives from department stores all over the country indicate that the volume of business being done is as large in terms of goods sold as in 1920. There has of course been a considerable release of clerical workers from public service, banks, and business of all kinds, but here again, the figures appear to me to be somewhat large. The number of workers in clerical work in the United States as reported by the 1910 census was 1,737,000. I do not believe that there has been a 25 per cent reduction in this group.

In view of the census figures showing an extraordinarily small proportion of workers in domestic and personal service in 1920, I should doubt whether there had been any notable reduction in the number in this group. This is one of the groups in which reduction in times of depression takes place most slowly because the number of workers in this group is an expression of the standard of living of the people and the standard of living changes very slowly.

My own estimate would be that the number of persons released from different occupations has been more nearly in the neighborhood of 4,000,000 than of 5,700,000. Of this number, it is clear that a considerable proportion has been absorbed by other occupations. I should think that the number absorbed by agriculture, schools, and miscellaneous occupations would take care of in the neighborhood of one-third of the 4,000,000 released.

Unemployment

FEDERAL RESERVE BANK

OF NEW YORK

September 26, 1921

Dear Governor Strong:

You may not have seen the attached clipping from yesterday's New York Times. It gives in considerable detail the exact method followed by the United States Employment Service in their survey of unemployment last January, which was the basis for the recent estimate by the Department of Labor of the number of unemployed industrial workers.

One or two features of the method used are worthy of note:

1. Nine men covered the entire United States. One man for example, had as his allotment, Maine, New Hampshire, Vermont, Massachusetts, Rhode Island and Connecticut.
2. The men selected had, as far as we can learn, no special knowledge of employment and certainly no specific statistical training.
3. In most of the states there were no available figures and the estimates made were based simply upon the opinions of a number of interested people.
4. The final result for each district was an average of the various sets of estimates

I do not believe that it is possible to secure a result upon which reliance can be placed by such methods as these.

Very truly yours,

W. Randolph Burgess

W. Randolph Burgess
Statistics Department

Governor Strong,
C/O Federal Reserve Board,
Washington, D. C.

Credit Conditions

The worldwide decline in commodity prices which set in last spring, has shown considerable acceleration during the past month, especially in Great Britain and the United States. From the peak British prices are down from 10% to 14% and Canadian prices are down 11%, while the various price indices in the United States show declines of from 13% to ~~29%~~ 33%. A substantial portion of these declines has occurred in the last sixty days, and already there are signs that the lowerprices for raw material and goods at wholesale are beginning in some cases to be reflected in retail prices and that thus consumers are beginning to receive the benefit of the enhanced buying power of the dollar.

COUNTRY	WHOLESALE PRICE INDICES % Decline during latest month reported	% DECLINE FROM HIGHEST
United States		
Bureau of Labor	7.0	17.3
This bank's index (12 basic commodities)	√.2 ~~2.2~~	33.√ ~~29.9~~
Dun's	4.3	13.7
Bradstreets	7.3	24.9
British		
Economist	as 6.2 6.2	14.1 ~~14.0~~
Statist	3.4	9.9
French	4.4	13.9
Italian	+ .76 ~~.7~~ (incr)	2.1
Japanese	2.1	26.3
Canadian	2.9	11.0
Swedish	4.4	6.2
Australian	2.5	2.5
Calcutta	.96 ~~.5~~	5.5

Cancellation of orders by manufacturers and merchants, and postponement of purchasing by consumers have accompanied the fall in commodity prices abroad as well as at home. In the United States, where the price decline of the past six months is the most abrupt since that of the first six months of 1865 accompanying the close of the Civil War, these tendencies are necessarily causing substantial interruptions and readjustments in many industries. The orderly manner in which these readjustments have proceeded has been greatly facilitated by the existence of the present machinery for the maintenance of credit flexibility and elasticity. Throughout the year credit has been at all times available, as the Federal Reserve Board pointed out in its statement of October 16, for in spite of the rapid movements of funds from one part of the country to another, member banks have always felt ready to extend additional credit where such a course seemed necessary and sound, knowing that they could in turn fall back upon their Federal Reserve Bank.

It is probable that in no part of the country has the demand for credit been felt more acutely than in New York City. In the September number of the Review, the movements of funds in and out of New York for the preceding three months were set out in considerable detail. Further drafts in October and November upon the New York City banks have reduced their deposits $250,000,000. Not only have they been called upon to make direct advances to industry, commerce and agriculture in all parts of the country, but they have been called upon for indirect advances as well, through loans to interior correspondent banks for the accomodation of their local customers. In many of the New York banks the demands of interior banks have been the heaviest on record, exceeding even the accomodation they required before the establishment of the Federal Reserve System. Among those asking for loans are many banks which have never borrowed before. On the other hand, the country banks in this district are gradually getting out of debt. On June 1 361 out of 771 member banks were borrowing from the Federal Reserve Bank. On November 20 the number of borrowers was reduced to 261.

Just as with increasing prices the volume of credit increased, so with falling prices the volume of credit has lately shown a tendency to decrease. The following charts show the course of credit during 1920. The fluctuations of loans and deposits are shown by the figures of the 823 banks which report weekly and which reflect accurately the banking conditions of the entire country. The recent decline in the volume of credit which these figures indicate is in turn shown in the decreased rediscounts and circulation and in the increased reserve percentages of the Federal Reserve System, the latter having risen from 42.5 on October 16 to 44.1 on November 19.

MISC.3 1 STAT.3600-10-21

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE February 1 1922

TO Governor Strong

SUBJECT: War College address

FROM W. R. Burgess

In the absence of Mr. Snyder I have been over the correspondence with General McGlachlin and the attached copy of your address last year at the War College.

The subject which General McGlachlin suggests does not seem to me a promising one. In the first place, I do not believe that the method of payment for war material was in any large degree to blame for congestion at shipping terminals. It was the custom to inspect and accept practically all war material at the factory and it is my impression that payment was not as a rule dependent upon receipt at a terminal. Congestion at ports was more largely due to lack of any coherent program during the early days of the War.

The supply bureaus had no exact information as to what shipping capacity would be available from time to time or even concerning how many men they would be called upon to supply with overseas equipment. It was not, I think, until the early months of 1918 that there was an authorized schedule of troop embarkations and of drafts on the basis of which the supply bureaus could make their purchases and ship their goods. The wording of contracts which determined the precise method of payment was a detail which could be and was modified as the army program assumed more coherent form.

An interesting talk could well be made on the form of war contracts: what method of payment they should provide, whether they should be on a cost plus basis, how they might be modified from time to time, under what arrangements they might be canceled on the termination of hostilities. This is a technical problem quite apart from the general problem of financing the War and it is one on which we should find it extraordinarily difficult to assemble data.

It would seem to me that last year's address was admirably adapted to the War College audience practically without change.

MISC. 1 STAT.3600-10-21

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 5, 1923.

TO Governor Strong

SUBJECT:

FROM W. Randolph Burgess

At Mr. Snyder's request I am sending herewith tables containing the information requested in your memorandum of January 4, together with some additional data which seem pertinent.

The attached diagrams seem to me significant. There has been a quite remarkable correspondence between the amount of discounted bills held by the Federal Reserve banks and the average rate of discount. The amount of bills held appears to be somewhat the same kind of measure of the Reserve Bank situation as the reserve percentage would furnish if it had not been put out of business by gold imports.

The second diagram shows the way our buying rate for bankers bills, which has been free to fluctuate with the market, has risen in the past three months, while our discount rate has remained stationary.

READ AND NOTED,
B. S.

FEDERAL RESERVE BANK

OF NEW YORK

IN REPLY PLEASE REFER
TO Reports-WRB

August 4, 1923.

Governor Benjamin Strong,
C/o Cragmore Sanatorium,
Colorado Springs, Colorado.

Dear Governor Strong:

I am attaching herewith a report of the inquiry into the unfunded credit balance, undertaken by the Department of Commerce, together with a copy of Mr. Jones' letter. It looks like a pretty good job and furnishes further substantiation of John Williams' contention that the unfunded balance has been, and is, comparatively small. The figures would clearly be smaller still if reports had been received from import as well as export houses.

Mr. Snyder sails today on the "Franconia."

With best wishes,

Sincerely yours,

W Randolph Burgess

W. Randolph Burgess,
Manager, Reports Department.

LGD

Encs.

COPY

DEPARTMENT OF COMMERCE
Bureau of Foreign and Domestic Commerce
WASHINGTON

July 27, 1923.

Mr.Carl Snyder,
Federal Reserve Bank of New York,
15 Nassau Street,
New York, N.Y.

Dear Mr. Snyder:

At last we have closed the books on our accounting of the unfunded credit balances due our banks and industrial and trading concerns on July 1, 1921 and July 1, 1922. Although this inquiry was instituted last December, and although a number of follow-up letters were sent out, the returns have come in very slowly. However, I think we have done all that could possibly be done towards getting complete data.

I inclose a summary of the returns in duplicate, which I would ask you to submit to Governor Strong. We should be very much interested in any deductions which you might care to make from these figures. My own thought is that one great weakness lies in the fact that the industrial and trading concerns circularized were almost entirely engaged in export trade, so that the accounts payable are much less than they should be. Unless, of course, one assumes that our imports are very largely paid on a strictly cash or near-cash basis. It is probably true that a portion of our imports paid in cash is very much larger than the corresponding proportion of our exports.

These data have been recently submitted to Dr. John H. Williams and will be used in connection with his study of our balance of international payments for 1922, as well as in our own study which will be published at about the same time as that of Williams'.

It is our intention shortly to destroy the sheets containing replies to our questionnaire. Do you see any reason why they should be retained, especially in view of the fact that the data has been taken off on long sheets which can be put away in our confidential files?

With kind regards, I am

Sincerely yours,

(Signed) Grosvenor M. Jones,

Chief, Finance and Investment Division.

Inclosure-47567

Finance and Investment Division.

Data on Unfunded Credit Balances Outstanding,
July 1, 1921 and July 1, 1922.

NET STATEMENT

Accounts receivable and Accounts Payable
1921 and 1922.

A Banks

Reports from 221 banks (of which 102 had data to report) show:

Accounts receivable July 1, 1922 -	$479,000,000
" " July 1, 1921 -	$666,000,000
Decrease (July 1/21 to July 1/22)	$187,000,000

Accounts payable July 1, 1922 -	$418,000,000
" " July 1, 1921 -	358,000,000
Increase (July 1/21 to July 1/22)	$ 60,000,000

B Industrial and trading concerns

Reports from 524 industrial and trading concerns (of which 384 had data to give) show:

Accounts receivable, July 1,1922 -	$384,500,000
" " July 1,1921 -	510,500,000
Decrease (July 1/21 to July 1/22)	$126,000,000

Accounts payable, July 1, 1922 -	$ 47,500,000
" " July 1, 1922 -	45,000,000
Increase (July 1/21 to July 1/22)	$ 2,500,000

C Statement Total Accounts Receivable and Total Accounts Payable.

Accounts Receivable

	July 1, 1921	July 1, 1922
Banks	$666,000,000	$479,000,000
Business Concerns	510,500,000	384,500,000
Total	$1,176,500,000	$863,500,000

Accounts Payable

Banks	$ 358,000,000	$418,000,000
Business Concerns	45,000,000	47,500,000
Total	$ 403,000,000	$465,500,000
Net amount due American bankers and business concerns (chiefly exporting)	$ 773,500,000	$398,000,000
Decrease in net due July 1/21 to July 1/22		$375,500,000

D Excess of accounts receivable over amounts payable.

Banks

July 1, 1922	$ 61,000,000
July 1, 1921	308,000,000
Decrease	$247,000,000

Industrial and trading concerns (chiefly exporting)

July 1, 1922	$337,000,000
July 1, 1921	465,500,000
Decrease	$128,000,000

Combined banks and industrial and trading concerns:

July 1, 1922	$398,000,000
July 1, 1921	773,500,000
Decrease	$375,500,000 = 48 %

MISC 3. 1-50M-3-23

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 31, 1923

To Governor Strong

SUBJECT:

FROM W. Randolph Burgess

We have been working on the suggestion in your memorandum of a couple weeks ago, and attempting to compute the reserves released by the transfer of demand to time deposits. We have been pretty much baffled to make any reasonable estimate of the amount of the transfer. About the most rational estimate seems to be based on the assumption that the normal rate of increase for time deposits due to savings would be about the same as the increase in deposits in savings banks, which is a yearly increase of about 5.8 per cent. Between June 30, 1917 and June 30, 1922 the increase in time deposits in national banks was $1,341,000,000 greater than the normal increase on this basis. The reserves released to 7 per cent. would amount to $94,000,000, which would support about 5 times as much deposits or loans, or about $500,000,000 in 5 years.

This is, of course, a mere drop in the bucket compared with gold imports. I wonder if we ought not to think up a cure for the fluctuations in credit due to the foreign gold movement before we tackle this less consequential expansion. I feel too uncertain of the validity of our computations to make much of a case in the matter. I am going to keep our people working on it, however, until we produce something sound enough to send to the Board.

Incidentally I have been getting together figures to show the effects on reserves of the establishment of the System. I hope before long to set down the whole thing somewhat comprehensively.

MISC. 3. 1-75M-9-23

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 12, 1924. 192

TO Mr. J. H. Case

FROM W. R. Burgess

SUBJECT: Basic Conditions in Money Markets and Suggestions for Open Market Program.

1. Basic Conditions. While money is now extraordinarily easy and many of the conditions are present for a period of inflation and speculation, it does not seem to me that such a period is yet upon us. In the field of business and commodity prices there is no evidence whatever of inflation or speculation. Commodity prices are hovering at the low points reached in the past month or two. Business is continuing to recede in volume rather than increase. The employment figures for December showed a decrease, as did also the production of steel, carloadings and a number of other indexes. The flood of return of currency and the decrease in bank loans since the first of the year seems to me clearly to reflect reduced business activity and continued caution in operations. In the stock market alone is there evidence of an expansion and there we have very far from a runaway market, in spite of the pronounced efforts of many speculators to create a bull market. While stock prices are comparatively high, the street loan accounts are only moderately so, particularly if allowance is made for a seasonal increase at the beginning of the year. It is my belief, therefore, that while the situation clearly contains a threat of serious inflation, the time has not yet come to sell securities, particularly in view of the limited amounts now held, but that we should rather continue to acquire more as far as we can do so without making easier a market already very easy.

MISC. 3. 1-75 -9-23

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE 192

TO

SUBJECT:

FROM

2, The Program. It seems to me wise to continue buying certificates and notes carefully as they are offered and as far as it can be done without affecting the market. The best opportunity for purchasing would appear to be in the latter part of February and early March, when spring needs of business begin to be felt and when there is ordinarily some tightening in money rates, but some small quantities might be purchased before that time.

3. Purchased Bills. It seems clear that some arrangements should be made by which the $300,000,000 of bills held by the system should be subject to somewhat the same control as our holdings of certificates and notes, and that in general the policy should be followed of maintaining the bill portfolios at present, but letting them diminish as they mature at times when certificates were being sold. In order to accomplish this end it is clearly necessary to secure some understanding between the Reserve Banks.

4. Earning Assets. If the present movement toward reduction of the earning assets of the system continues, it is clear that many of the banks will be flat and unable to earn expenses. This makes more difficult an agreement as to purchased bills and raises the question as to a common policy in the whole matter of earnings. Of course, if a business boom should begin this difficulty would hardly arise.

1-75M-9-23

FEDERAL RESERVE BANK
OF NEW YORK

noted PJ

OFFICE CORRESPONDENCE

DATE February 15, 1924.

TO Mr. Jay

SUBJECT:

FROM W. R. Burgess

In accordance with Governor Strong's suggestion, I have reviewed with care the citations in Professor Bullock's letter from the Federal Reserve Bulletin and our own Review. I do not find any ground for differing from Professor Bullock as to the statements made in these different articles.

I do not find in these quotations, however, what seems to me adequate ground for asserting that we over-emphasized caution. What was done in the bulletin and our own review was to point out (1) that production and trade were in exceptionally large volume in the spring of 1923; (2) that large unused credit facilities existed; and (3) that the use of further amounts of credit would be of doubtful value in stimulating a further increase in industry and trade.

It seems to me that the outcome has demonstrated the wisdom of exactly the action that was taken. It is clear from the later decline in production and from the accumulation of stocks in a number of industries, that production in certain lines, even as it was, had been somewhat overdone. If there had not been a word of caution it seems entirely likely that production would have been much more overdone, that interest rates would have risen, that we should have been forced to raise our discount rate, and that the ultimate result would have been much less satisfactory than the present situation, in which the country appears to be in sound condition and perhaps ready for an increase in industrial and business activity.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE ______ 192__

To ______ SUBJECT: ______

FROM ______

I have been interested to review the weekly letters of the Harvard Economic Service, and they appear to me to offer a reasonable explanation of Professor Bullock's feeling. I find that in a number of the issues the prediction is made quite definitely that production would continue at a high level throughout 1923. For example, the weekly letter of March 31, 1923 contains the following sentence:

> "We believe that the upward trend of business will continue throughout the remainder of the year,"

and the letter for May 5, 1923 says:

> "We forecast, therefore, the maintenance of a high level of manufacturing output and business activity, accompanied by firm or rising wholesale commodity prices and firm or rising money rates for the remainder of 1923."

The Harvard Service was not alone in this prediction. The decline in business certainly occurred earlier than I had anticipated it and I think Mr. Snyder would give similar testimony. Since the decline did take place it becomes necessary to find a reason. Professor Bullock finds a reason in warnings against inflation. The study of our indexes of the volume of trade, which are now available, leads me to feel that the cause of the decline is probably to be found more largely within industry itself. In the spring of the year we were probably having a certain amount of over-production. Many industries were certainly getting into a state where additional output could only be made at the expense of a higher wage bill and decreased effic-

OFFICE CORRESPONDENCE

DATE 192

TO

FROM

SUBJECT:

iency, which cut down profits. That is, I think the psychology of caution was, in many cases at least, based on the internal condition of industry as well as on the generally cautious atmosphere, which there is no doubt we helped to create.

Of course a good many had a hand in the little game of warning the public and I am a little amused to notice that the Harvard Service commented at the time we raised our discount rate to 4 1/2 that this was probably a preliminary step to raising it to 5 per cent. This is certainly a vigorous type of warning, in view of what the educated public knows about the meaning of increases in our rates. Of course the picture is not complete without a discussion of our open market policy, but that is another story.

Broadly speaking, there has been rather general agreement among economists that one of the most useful contributions to business which anybody could make would be to help restrict the swings of the business cycle. Our efforts, along with those of others, were precisely in that direction and I think there would be general agreement that the result was good. Its most serious evil consequences was to ruin a number of predictions as to the future course of business.

W.R.B.

MISC. 3. 1-75M-9-23

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 14, 1924

TO Governor Strong

SUBJECT: The McNary-Haugen Bill

FROM W. R. Burgess

At Mr. Snyder's suggestion I have reviewed the McNary-Haugen bill and the following comments supplement his memorandum.

The bill is a very clever attempt to create benevolent monopoly price control in a field where coordinated action is more difficult than anywhere else. It is a governmentally organized combination in restraint of trade. It is frankly class legislation. But aside from these theoretical objections the most serious criticism of the bill appears to me to be found in its probable results in practice.

Will it work?

I do not think the equalization scheme would work. Suppose the price of wheat were fixed by the Commission at $1.50 per bushel, and in order to cover losses through sales abroad of the surplus the farmer was to receive 25 cents in scrip and the balance in cash. This scrip would be of slight and doubtful value. Now if a trader offered a farmer $1.30 or $1.35 cash for his wheat, the deal would be to the advantage of both parties. The farmer would get more cash instead of scrip; the trader would save 15 or 20 cents a bushel on his purchase. It would be very hard to convince all the farmers of this country that they could not sell their wheat or other products freely to the best bidder. If this happened on a large scale the receipts from the scrip sold would be in much smaller quantity than the losses of the corporation from foreign sales. The corporation would shipwreck financially and the market price of wheat would be considerably under the fixed price.

This argument is simply to the effect that a regulation which makes it illegal freely to buy and sell commodities, particularly when the parties to the transaction are the scattered and individualistic farmers, cannot be enforced.

Effect on Production.

If the bill were passed the production of wheat and other products in which an emergency was declared would immediately increase. Instead of an 800-million bushel crop we might well have a 1,000-million bushel crop, as marginal land was brought into production by the prospect of higher prices. This would create a larger surplus to be dumped in foreign markets; it would lower the world price; and increase the losses of the corporation to be made up by the sale of scrip. In the course of a very few years the farmer would be paid so largely in scrip that the return on his wheat would be very close to the present price. The cost of living would have been increased without the slightest gain to the farmer, and the condition for which a remedy was sought would be even more aggravated, for the productive capacity in wheat would be enlarged.

Effect on Foreign Relations.

The Republican National Platform for 1920 contains the following sentence: "We favor a liberal and generous foreign policy founded upon definite moral and political principles, characterized by a clear understanding of and a firm adherence to our own rights, and unfailing respect for the rights of others." It needs no argument to prove that the dumping of large quantities

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE 192

TO

SUBJECT:

FROM

of American wheat in foreign markets at an artificially reduced price is not in keeping with respect for the rights of other nations. There is nothing which has been more vigorously resisted in this country than the dumping of foreign products here.

Effect on Prices.

We have made a computation which shows that the proposed scheme, if it could be put into effect, would bring the farm products index of the Department of Labor up from 145 to 175 or thereabouts, (1913 = 100 per cent). At this level the prices of farm products would be out of line with other prices, due to the fact that certain farm products, such as cotton, are selling at unusually high prices. Since farm products is one of the largest elements in any price index, the Department of Labor index would be increased from 151 to about 158 or 159. This increase in the general price level would carry in its train a whole series of effects which it is difficult to foresee. There would be effects on the volume of bank credit, foreign exchange, money in circulation, etc. Once we start playing with such fundamental economic factors as prices we set in motion a series of events which lead to remote and unforeseen consequences. We disturb the economic equilibrium and shake public confidence.

Putting the Government in business.

The Export Commission and Corporation proposed by the bill have powers and duties almost impossible to fulfill sucessfully. They must sell

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE DATE 192

TO SUBJECT:

FROM

abroad something like 300-million dollars worth of farm products. They must estimate the export surplus and the probable selling price abroad of all the commodities in which an emergency is declared to exist, and they must make these estimates so precise that the corporation will come out clear. They also have the power to deal in foreign exchange, to make loans, to maintain storage warehouses, facilities for transportation, and facilities for processing commodities. The executive officer who is to be responsible for these matters is to receive a salary of $10,000 a year. The administration which undertakes the burden of sponsoring a corporation of this sort is undertaking a terrible responsibility. It is putting the Government in business with a vengeance. Our experiences with the Shipping Board, government control of railroads, etc., have demonstrated the desirability of the Government's keeping out of this type of gigantic financial and business undertaking, unless the ends to be served are clearly for the public good and the plan is clearly practicable.

WRB:R

MAR 14 1924

MISC. 4. 1-200M 1-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 18, 1924 192

TO Governor Strong

SUBJECT:

FROM W. R. Burgess

I have made the attached analysis of some of the outstanding deficiencies of the latest Chase bulletin, so that we might have it available for any use which seemed wise.

att.

RECEIVED BY GOVERNOR'S SEC'Y

AUG 18 24

ASSERTIONS WHICH ARE NOT IN ACCORDANCE WITH THE FACTS

1. "So far we have had no policy to meet the inflow of gold." (Page 21).

The Federal Reserve System has had a definite policy, set forth in part in the 1923 annual report of the Federal Reserve Board.

2. "Excessive Federal Reserve Bank earning assets due to a feeling on the part of the Federal Reserve authorities that they owe it to their stockholders to earn expenses and dividends at all times." (Page 3, also some thought on Pages 5, 6, 23, 24).

Program of open market purchases has been determined not as Mr. Anderson states, but as stated in the annual report of the Federal Reserve Board for 1923, page 16, "That the time, manner, character, and volume of open market investments purchased by Federal Reserve Banks be governed with primary regard to the accommodation of commerce and business and to the effect of such purchases or sales on the general credit situation."

3. "Dividends of Federal Reserve Bank stock should be paid out of this surplus. There appears to be nothing in the law to forbid this but there seems to be some doubt as to the legality of it in Federal Reserve circles."

Dividends have already been paid by the Reserve Banks for the first half year with the knowledge that at least a part of the dividends will be paid out of surplus. An opinion of the Attorney General rendered on April 27, 1922, settled the matter definitely. There is not the slightest doubt of legality in the minds of Federal Reserve officials.

4. Several statements dealing with the effect of open market operations.

"In the present state of declining trade, both incoming gold and Federal Reserve Bank investments are reflected almost entirely in an increase of member bank balances, with immediate and even violent effect upon the money market." (Page 3).

~~"If the Federal Reserve Banks would market 100 to 200 million dollars of their Government securities, 2% call money would disappear overnight." (Page 4).~~

"If, for example, the Federal Reserve Banks should sell a hundred to two hundred million dollars of Government securities, they would promptly cancel a large, almost exactly equivalent amount of member bank reserves. They would have to be paid out of the liquid assets of the other banks in the country, and this would be primarily by checks drawn on the Federal Reserve Banks themselves.

These checks would be cancelled with corresponding debits to member bank balances, and with a corresponding reduction in the total of member bank balances. 2% call money would disappear overnight." (Page 23).

"When a Federal Reserve Bank makes a loan or an investment, it makes payment therefor with its own liabilities, which liabilities are accepted as final payment by other institutions leading to a net increase in the volume of funds in the market."

From these quotations, it is clear that Mr. Anderson has an erroneous impression of the relation of the money market to the Federal Reserve System. He appears to imagine that the money market is divided into two water-tight compartments, in one of which the borrowings of member banks takes place in response to commercial needs, while in the other, the open market operations of the System take place. As a matter of fact, it is familiar to careful students of the money market and was set forth in the latest annual report of the Federal Reserve Board that the open market and discount operations of the reserve banks cannot be separated. If the Federal Reserve Banks were to sell securities in the market there would usually be an equivalent increase in member bank borrowings and no decline in the reserve deposits of member banks. Similarly the purchase of securities usually leads to a decline in the rediscounts of member banks but does not affect reserve deposits. The fact is that the purchases of open market holdings by the Federal Reserve System during the past year have not resulted in additions to the total volume of credit save to a very limited extent, but have simply changed the form of part of the earning assets of the reserve banks from rediscounts and bill holdings to holdings of Government paper, and the present total of earning assets is near the lowest since 1917 and about 300 million dollars lower than a year ago.

This erroneous impression which Mr. Anderson has of the effects on the money market of open market operations by the Federal Reserve Banks vitiates his entire presentation. The whole matter was adequately set forth in the annual report of the Federal Reserve Board in a way which makes Dr. Anderson's misinterpretation quite inexcusable.

5. "Approximately 40% of the member bank balances, which constitute the primary supply of funds in the money market, thus rest on the earning assets of the Federal Reserve Banks." (Pages 4 and 5).

This leaves out of account altogether Federal Reserve notes and other currency placed in circulation originally by borrowing at the Reserve Banks. In fact, all currency in circulation rests on Reserve Bank earning assets just as much as do the member bank reserves. Earning assets are less than 12 per cent. of the reserves plus currency in circulation.

6. "The added complication of excessive Federal Reserve Bank earning assets has created, in conjunction with the gold, a very great artificial excess of reserve money." (Page 9).

Mr. Anderson attempts to show the existence and size of this excess by comparing the amount of reserve credit available in 1917 with the present amount. He asserts: "From the standpoint of prices and volume of business activity, we needed at that time (in April 1917) more money and bank credit than we need to-day even making allowance for the growth of population." This argument is supported by stating that the general average of commodity prices was 19% higher in April 1917 than to-day while business activity was very intense as against the present state of business slack.

It is quite erroneous to assume that wholesale commodity prices represent the general price level and determine the need for bank credit. While wholesale prices are lower than they were in April 1917, wages are very much higher, rents are very much higher, and the cost of living is higher. A computation of the general price level which takes into account wages and retail prices, as well as wholesale prices, indicates that the price level is at present about 34 per cent. higher than in April 1917 and therefore a much larger volume of bank reserves is required as a basis for the country's business. As a matter of record, the change in total available bank reserves, including all money outside the Treasury and Federal Reserve Banks, and reserves of member banks in the Federal Reserve Banks shows an increase of about 40 per cent. The difference between this increase and the increase in the general price level is easily accounted for by the growth in the country's trade in the seven years since 1917. There is no tremendous excess of reserves as Mr. Anderson imagines.

7. "Certain English writers have for four years been expecting us to have a violent boom and flare-up of commodity prices as a consequence of the gold which has been coming to us. As their predictions have failed they have explained the failure on the interesting but mythological theory that Federal Reserve Bank policy has prevented the gold from having its normal effect. They are quite mistaken in this. Federal Reserve policy has intensified the influence of the gold." (Page 7).

Mr. Anderson appears to forget in this passage, that the policy of purchasing securities in the open market, which he criticizes so severely, dates only from November 1923, whereas the English writers are concerned with the four year period. Mr. Anderson also forgets that when we take the four year period into consideration, the earning assets of the Federal Reserve Banks have been reduced from nearly $3,500,000,000 to about $800,000,000 and that this decrease has considerably more than offset the $1,500,000,000 in gold imports since the fall of 1920. Even since November 1923, there has been a decrease in Federal Reserve earning assets amounting to $200,000,000 or nearly sufficient to offset all of the gold imports since that date.

What has happened has been that member banks receiving gold imports have utilized those imports directly to pay off their debts at the Reserve Banks and gold utilized in this manner has been retired from circulation without any effect upon the credit structure. The retirement of rediscounts and advances at the Federal Reserve Banks by this and other means has been more than sufficient to offset all the gold imports received. This procedure may perhaps be ascribed to the mere existence of the Federal Reserve System rather than to its policy, although it would have been possible for the System to follow a policy which might have led to the use of new gold for credit expansion rather than for paying off debts. In any case, it is clear that the English writers are nearer to the truth than is Mr. Anderson.

In the past month or two in New York City, the member banks have become substantially out of debt at the Reserve Bank and gold imports are being felt more directly on the volume of credit. If Mr. Anderson had limited his comments to this period, it would be nearer to the truth but he makes his assertions in regard to the past four years.

Aside from these actual errors in fact, it is perhaps worth noting what Mr. Anderson suggests as the proper policy for the Federal Reserve Banks to pursue. He says:

> "There should be a drastic reversal of the open market policy of the Federal Reserve Banks. Instead of buying Government securities or open market paper when money is easy and rediscounts are falling off, they should sell under such conditions; and instead of selling open market paper or Government securities when money is tight, they may sometimes be well advised to buy under such conditions - letting out slack and taking up slack." (Page 22).

If we apply this rule it means that the Federal Reserve Banks should endeavor to make money easy at times when business is booming and speculation is running high, but that they should endeavor to make money tight when business is in the doldrums and requires encouragement. Mr. Anderson consistently emphasizes the need for removing the fluctuations in interest rates. He pays no attention however, to the provision of the Federal Reserve Act that discount rates and presumptively open market policy of the Reserve Banks shall be determined with a view of accommodating commerce and business. The Federal Reserve System has been following the policy that it was its duty, in accordance with the terms of the Act, to encourage business at times of depression but to discourage excessive activity at periods of unwise expansion. Mr. Anderson is greatly concerned over the present easy money and yet he does not point out definitely what the evils are. Business does not seem to be injured materially by the present easy money but is rather benefiting from it. The easy money may have the effect of facilitating a return of Sterling to par which Mr. Anderson admits, is a necessary step toward the recovery of the world. In fact, there does not seem to be any real ground for Mr. Anderson's great concern over the present ease in the money market.

It is also worth noting that if Mr. Anderson's suggestions were followed the Reserve Banks would now have no portfolio of securities and would hence have no weapon to combat on speculative expansion which might now arise as a result of gold imports.

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

RECEIVED BY GOVERNOR'S OFFICE

OFFICE CORRESPONDENCE

DATE December 30, 1924.

TO Governor Strong

SUBJECT: Inventories and Forward Buying, December 1924.

FROM W.R. Burgess

DEC 30 1924

The following paragraphs summarize our recent interviews on the status of inventories and forward buying:

Iron and Steel: Iron Age, (Messrs. Koon and Smart)

Stocks in consumers hands were reduced to very small proportions by curtailed buying during summer. Recent buying has in general not covered needs beyond the first quarter of 1925, and forward orders are still considerably below the usual level. No evidence of buying in excess of actual needs.

Copper, Lead, Zinc: United Metals Selling Co. (Anaconda Copper Co.) Mr.Welch.

Consumers are buying only for actual needs. In recent years they have not been disposed to speculate in raw materials, due to sharp price changes.

Machine Tools: Niles, Bement, Pond Co. (Mr. Cornell)

Inquiries have increased, but actual contracts show no material expansion.

Cotton Goods: Hunter Mfg. and Commission Co. (Mr. Walcott)

Buyers have recently shown more disposition to cover requirements for a moderate distance ahead. Mill buying of raw cotton probably equals that of a year ago, but the amount still to be done is larger, as mills now face expanding operations.

Wm. Iselin & Co. (Mr. Cromwell)

Cotton goods are in a fairly good position, compared with other textiles, but forward orders are still below the usual quantity for this time of year.

Woolens and Worsteds: Wm. Iselin & Co. (Mr. Cromwell)

Woolen mills are fairly well sold up, but worsted are still in difficulties. Mills have bought raw wool only a short distance ahead, as supplies are considered adequate.

Silk Goods: H.R. Mallinson & Co. (Mr. H.R. Mallinson & Mr. Hanson)

Staple silks have improved gradually. Buyers are placing small but numerous orders, which is favorable to continued good business. Forward buying is not up to normal.

Wm. Iselin & Co. (Mr. Cromwell)

Sales have improved considerably, but forward business is not up to normal and it is still a buyers' market. Mills have not covered raw silk requirements very far ahead, as they feel supplies are adequate.

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE December 30, 1924

TO Governor Strong

SUBJECT: Inventories and Forward Buying, December 1924.

FROM W.R. Burgess

Knit Goods: Wm. Iselin & Co. (Mr. Cromwell)

Current business fairly large, but retailers have placed not more than half their season's requirements and re-ordering is slow.

Department Stores: R.H. Macy & Co. (Mr. Knauth, Merchandise Control)

No perceptible change in department store policy, which is to maintain quick turnover rather than speculate in inventories. No evidence of inadequate stocks in hands of wholesales or manufacturers, or of competition for goods.

Lord & Taylor. (Mr. Shipley, Merchandise Mgr.)

In last few years, retail stores have been inclined to carry smaller stocks and to maintain stronger cash position. Mr. S. sees no probability of a change.

Goods in Storage - New York City: N.Y. Fire Insurance Exchange (Mr. Robb)

Total premium income on storage warehouse underwriting in New York City in 1924 will run about same as last year, which was $45,000,000, compared with $39,000,000 in 1922, $38,000,000 in 1921, and $48,000,000 in 1920, the highest year. Present factory capacity and rail efficiency make large inventories and large forward buying unnecessary.

****

The tables on the following page summarize the principal available statistics relating to stocks and unfilled orders. For reporting department stores in this district, outstanding orders and stocks on hand have run throughout 1924 lower than in 1923, and have generally been close to 1922. The second table relating to the country at large shows the facts for a wider range of commodities. During 1924 unfilled orders for iron and steel and building materials have run lower than last year, although since July the discrepancy in iron and steel has become somewhat less. Commodity stocks in 45 lines have run higher than last year and have increased slightly since mid-summer, reflecting increases in raw and manufactured commodities other than foodstuffs.

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE December 30, 1924.

TO Governor Strong

SUBJECT: Inventories and Forward Buying, December 1924.

FROM W.R. Burgess

I. Second District, Department Stores

		Average Monthly Jan-Mar.	Average Monthly Apr-June	Average Monthly July-Sept.	End of Oct.	End of Nov.
(a) Outstanding Orders:						
(In per cent. of total	1922	6.5	5.1	7.3	8.2	6.7
purchases of previous	1923	8.1	6.8	9.4	6.9	6.3
year)	1924	6.8	5.1	7.8	6.8	5.5
(b) Stocks on Hand:						
	1922	+ 4	+ 2	- 1	- 2	+ 1
(Per cent. change from	1923	+ 2	+ 5	+ 8	+14	+ 4
previous year)	1924	+ 5	+ 3	0	0	- 1

II. United States

	July 31, 1924 Index	July 31, 1924 % Change from year previous	October 31, 1924 Index	October 31, 1924 % Change from year previous
(a) Unfilled Orders: (1920 av. = 100)				
Total, 8 commodities	44	- 35	43	- 20
Iron & Steel (1)	31	- 47	34	- 23
Building materials (2)	96	- 7	81	- 11
(b) Stocks on Hand: (1919 av. = 100)				
Total, 45 commodities	131	+ 30	138	+ 36
Raw foodstuffs (3)	153	+ 5	154	0
Raw materials for manufacture (4)	95	+ 6	130	+ 9
Manufactured foodstuffs (5)	89	+ 26	87	+ 23
Semi-Manufactured commodities (6)	161	+ 15	164	+ 17

These stocks of raw materials always run high when manufacturing is a bit slack

---

(1) Steel (U.S. Steel Corporation) locomotives, merchant pig iron, steel sheets (independent mills).
(2) Maple and oak flooring, face and clay fire brick.
(3) Sugar, wheat, corn, oats, eggs, poultry, fish, apples, coffee.
(4) Cotton, cottonseed, flaxseed, rosin, turpentine, petroleum (crude), tin.
(5) Meats, wheat flour, butter, cheese, rice.
(6) Refined oils, cottonseed oil, cement, brick, flooring, lumber, enamelware, zinc, pig iron, newsprint.

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

my file Miss K.

OFFICE CORRESPONDENCE

DATE January 1, 1925. 192

TO ~~Governor Strong~~

SUBJECT:

FROM W. R. Burgess

I am attaching a rough draft of a suggested expansion of the last half of your biography contained in Miss Bleecker's letter to Mr. Derby under date of December 9.

I think if you could dictate a few paragraphs about your experiences in 1907, including suggestions on the Aldrich plan, it would be most appropriate.

Was there any citation in connection with the cross of the Chevalier of the Legion of Honor? If there is such a citation I think it would be appropriate to include it, as perhaps also any citation in connection with the doctor's degree at Princeton.

Can I help you further with this?

The attached booklet might be forwarded for them to crib any more facts about the bank they wish.

Att.

Son the 7th generation in Wall St

later vice president & Pres. of Seamans Instit. for Savings

great grandfather Benj Strong clerk of Hamilton in U.S. Treasury [illegible] 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

[O]FFICE CORRESPONDENCE

DATE February 5, 1925.

[T]O Governor Strong

SUBJECT:

[F]ROM W. R. Burgess

Here is another draft of your biography for the National Cyclopedia of American Biography. The chief point now where the study might be expanded a bit is that section dealing with your work on the Aldrich plan. I have dropped a line to the editor saying that we hope to forward the material to him before very long.

I am sorry this has been so delayed. We are just getting our annual report into final shape and it has absorbed most of our working time.

You may be interested in the attached note from John W. King, although I suspect he has written you also.

Att.

WRB:R

FEDERAL RESERVE BANK
OF NEW YORK

...CE CORRESPONDENCE

DATE March 12, 1925. 192

Dr. Burgess

SUBJECT:

FROM Benj. Strong

My thought about the analysis of the latest McFadden Bill, and of our policy in dealing with it, is roughly as follows:

1. A careful mathematical analysis should be made of the bill to show what the effect will be upon reserves, etc.; - whether it is inflationary or deflationary, what classes of banks will be benefitted and what classes hurt, if any, etc.

2. Then we should have a clear analysis made of the bill as to the general effect upon the banking business of the country, and

3. A more particular statement as to its effect upon the Reserve Banks, not only as to what they may be restricted in doing as a result, but upon their policy generally, which would include, of course, consideration of gold exports.

The above relates simply to the provisions of the bill. But in connection with this I want to send a letter to Governor Crissinger suggesting some sort of an approach to the public.

Some of our leading economists should be advised of the views we hold; some of the best newspaper men; and certainly some of the bankers, including level headed, responsible men who may be on the Executive Council of the American Bankers Association. And I should suppose a few members of Congress should be made aware of just what the bill will do. The entire Reserve Bank organization should be well posted and able to discuss it intelligently, so that they may answer the inquiries of bankers and business people. And, finally, it would be desirable to bring the matter to the attention of some of the country's business

FEDERAL RESERVE BANK
OF NEW YORK

...CE CORRESPONDENCE

DATE March 12, 1925. 192

Dr. Burgess

SUBJECT:

FROM Benj. Strong -2-

organizations, who might find very definite and specific grounds of objection. I should think such concerns as those who accept and deal in bills, and those who issue bankers credits in connection with commercial transactions might be very definitely interested.

All of this should be worked up merely as an outline for Governor Crissinger, and, when it has been done, then we should ask for a decision as to whether the Federal Reserve Board will deal with the matter thoroughly, or whether some other means shall be undertaken.

FEDERAL RESERVE BANK
OF NEW YORK

See later memo for more detailed and precise computation

010

OFFICE CORRESPONDENCE

DATE March 13, 1925

TO Governor Strong

SUBJECT: The Effect of the New McFadden Bill

FROM Mr. Snyder and Dr. Burgess

As Mr. Harrison points out, it is impossible to calculate the full effect of the proposed measure because, while it seems to abolish the issue of Federal Reserve notes against gold or bankers' acceptances, and to restrict this practically to eligible paper, it does not repeal the provisions of Section 13 which make possible such an issue in another way, by "working the pump."

As it stands, then, the only direct effect of the measure would be the return of 40 per cent of the present Member Bank reserve deposits, or about 865 millions, to the Member Banks.

As these banks now held, at the last combined statement, some 527 millions of cash, or "till money," presumptively this amount would be released for use by the banks, since the 40 per cent of reserves returned to them as cash would be much above their present cash holdings.

Eventually the most profitable use of this released cash would be to deposit it with the Federal Reserve banks for the basis of further loans, or investments; so this would mean a net loss to the Federal Reserve System of only about 339 millions of cash.

As the Reserve System would still have ample gold reserves against note expansion, this would mean that the Member Banks could, at a maximum, then expand their loans or investments ~~by~~ approximately ten times the amount of bank cash released, or something like four or five billions of dollars, provided, always, that the Member Banks were willing to rediscount sufficiently to secure notes to supply the demand for currency created by this expansion of bank credit. As the ratio here is about five to one, an expansion of 5 billions would require approximately 1 billion of added currency.

On the basis of no further rediscounting, the possible expansion under these amendments would then be only about one-third this, or approximately a billion and a half of dollars.

Assuming, however, that the plain intent of the amendments, to restrict the issue of Reserve notes to the basis of eligible paper, would be carried out by further necessary changes in the Act, the maximum amount of Federal Reserve notes would then be cut down to 400 millions, requiring the retirement of 1327 millions of Federal Reserve notes. This, with the net loss of 339 millions in reserves, would bring the total loss of gold to the System up to about 1666 millions.

As the required reserves on what would be left of notes and reserve deposits would then be only about 615 millions, this would still leave nearly 600 millions for a basis of expansion as indicated above.

In other words, on any interpretation it would be a highly inflationary measure.

RECEIVED
MAR 13 1925 3 56 PM
GOVERNOR'S OFFICE

FEDERAL RESERVE BANK
OF NEW YORK

...CE CORRESPONDENCE

DATE March 13, 1925

TO Governor Strong

SUBJECT: The Effect of the New McFadden Bill

FROM Mr. Snyder and Dr. Burgess

2

For the purpose of clearness or simplicity the calculations may be set forth as follows:

			March 4	
Present note issue			1727	millions
Total discounts			400	"
To be retired			1327	"
Present Member Bank reserves			2166	"
Reduced by 40 per cent			866	"
Leaving			1300	"
Present gold in System			2860	"
Less notes	1327	millions		
Reserves	865	"	2192	"
Leaving			668	"
Required gold reserves				
40% on 400 million notes	160	mil.		
35% on 1300 " dep.	455	"	615	"
Leaving free gold			53	"
Present cash in Member Banks			527	"
Eventual free gold in System			580	"

MISC. 4. 1-100M-9-23

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 5, 1925. 19

TO Miss M. S. Bleecker

SUBJECT:

FROM W. R. Burgess

The only change in the new edition of the First Ten Years is the addition of pictures. I am attaching also a release which we gave out some time ago. I wonder if he has been sent a copy of our latest annual report.

Att.

C. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 15, 1925.

B. S. [illegible]

TO Miss Bleecker

SUBJECT:

FROM W. R. Burgess

I suggest the following reports to be sent to Governor Strong during his absence:

1. Daily letter to the Federal Reserve Board
2. Weekly Business and Financial Summary
3. Weekly gold report
4. Monthly Review
5. Report of open market committee

MISC. 3. 1-50M-1-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 3, 1925. 192

TO Governor Strong

SUBJECT:

FROM W. R. Burgess

I think the notes and reports which the other officers are sending cover practically everything of interest, except perhaps the money market.

Last Monday call money went to 6 per cent for a short time and rates, as shown by our daily letter, continued high during the week. There appear to be two principal explanations for this high money: The first was wire transfers, indicated not only by our wire figures, but also by a decrease of about 80 million between June 15 and July 1 in the street loans of out-of-town banks. This movement appears to have been partly the natural backwash of funds after Treasury transfers to this district had created a vacuum elsewhere, but it is probably due in part also to an effort of out-of-town banks to show a clean slate on June 30. The second cause is currency withdrawals for the holiday, which have amounted to more than 30 million in this district alone. The banks were well up on their reserves last night and are paying us off in part today.

No purchases were made for the special investment account to meet this tight money situation, since it was obviously a temporary movement and reflected in considerable measure window dressing for the June 30 statement. I think on the whole the influence of the brief period of tight money has been beneficial as a kind of warning that there is not really any extra money lying around loose.

Today's operations included a withdrawal of $585,000 of gold bars and coin for export to the new Mexican "Bank of Unico." This follows a

MISC. 3. 1-80M-1-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 3, 1925. 192

TO Governor Strong

SUBJECT:

FROM W. R. Burgess

shipment of approximately $1,000,000 to the same destination in June. You may recall that we had an inquiry suggesting total shipments of about $7,000,000 over a period of six months.

Mr. Jay and I have just returned from Chicago and Cleveland and we regard the trip as very much worth while, as I believe he is writing you. I worked over the A. B. A. Committee report with Ayres and I think it will be a good one.

Mr. Crane is reported to be sailing on July 4.

WRB:R

(#2)

MISC. 3. 1-50M-1-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 10, 1925.

TO Governor Strong (Copy to Mr. Case)

SUBJECT:

FROM W. R. Burgess

This has been another quiet week and I think most of the special events are being covered by memoranda from the various officers.

The money market has been what Mr. McGarrah would call comfortable, with call money between 3 3/4 and 4 per cent, and bank reserves equal to requirements practically every day. The market has been losing through transfers for the past two days and our loans to New York City banks are well up to 100 million dollars. Money has just gone to 4 1/2, reflecting some withdrawals to the interior, currency withdrawals, and a little averaging up. It is perfectly clear that there is underlying firmness in the market. Short governments, for example, are not well taken.

The stock market continues strong and street loans are at new high points. There is, however, a distinct undercurrent of belief that the turn is not far off. One report is that pools are having great difficulty in unloading their stock because the public is more wary; another report is that houses find great difficulty in persuading their customers to unload. Perhaps these are two phases of the same trouble.

Our business reports for June continue to indicate some lessening in business in certain lines, but in the main things are holding up well and better trade in the fall is generally anticipated. The steel people believe that the corner has been turned. Prices, at least, are somewhat firmer.

Mr. Sailer tells me that the Niagara Fire lease has been executed and alterations are under way. Also, that two prospective renters are considering the sixth floor of this building, but that no new definite propositions have been made anywhere.

MISC. 3. 1-50M-1-25 (#2)

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 10, 1925. 192

TO Governor Strong

SUBJECT:

FROM W. R. Burgess

Talley is replacing McKinney as Governor at Dallas and Colonel C. C. Walsh, of San Angelo, Texas, has been appointed Federal Reserve Agent.

The Tribune man just called me up to say that your visit to Germany to visit the Reichsbank with Governor Norman has just come out on the news slips. It is evidently impossible to keep the movements of central bank officials quiet at this stage of the world's history, and I wish, therefore, that we had told the boys when you left; but it cannot be helped now and they will print a thousand surmises. I am, of course, telling them that this is your usual visit to Europe which you have made practically every year.

Mr. Jay and I are working away on public relations matters, preparing at the moment a brief hand-book for easy reference on Federal Reserve matters.

I am enclosing a copy of a speech which Mr. Traylor, of Chicago, is giving tomorrow, in which we had a hand, and to which wide circulation will be given.

Willis is out with another diatribe, which makes him even more vulnerable.

Hot here and very damp.

Att.

WRB:R

MISC. 3. 1-75M-9-23 (No. 3)

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 17, 1925. 192

To Governor Strong

SUBJECT:

FROM W. R. Burgess

Not many officers writing today, so I shall have to tell the story.

It has been a quiet week, with two outstanding exceptions, - our work on public relations matters and a good deal of discussion of policy. Mr. Jay is writing about the progress on the first of these.

A discussion about policy arose from Mr. Young's discovery at the executive committee meeting on Monday of the present level of street loans, which he had not realized. He had been under the impression that the decrease which followed our action in February had been maintained and was shocked to discover that it had not. He suggested a report covering street loans and related credit matters as bearing on any action which it might be desirable for us to take. I think his feeling was that the present level of street loans indicated a dangerous situation, which might result in a break, and it occurred to him that it might be better to put on pressure and to have some liquidation now rather than in the fall, when it might interrupt the course of business and prove more serious.

We accordingly wired you (an afternoon when I was absent) and prepared the attached report. The report was reviewed carefully at the officers' council meeting on Thursday morning and was read to the directors Thursday afternoon. There was unanimous agreement to the recommendations made that no change in rates or open market operations was immediately desirable.

The money market was turning easier about the time the cable was sent to you. After firm money on Monday heavy transfers came in and the

(No. 3)

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 17, 1925. 192

TO Governor Strong

SUBJECT:

FROM W. R. Burgess

movement was inward on Tuesday and Wednesday also. It split even yesterday and so far today. Money went off on Tuesday and reached 3 1/2 for a while yesterday; it renewed and has maintained at 3 3/4s today. The banks have been pretty well up in their reserves since Tuesday and are only borrowing 8 million so far today. Federal funds are 3 to 3 1/4. It is perfectly clear that the stiffening of rates for the last week in June and the first week in July was largely due to temporary causes and that we may anticipate moderately easy money through most of August, with the exception of the August 1 period; that is, there is no indication yet of any large or continuous movement of funds to the interior. The recent inflow here has more than offset the transfers out, which occurred the few weeks before. There may be some movement outward in the next few weeks, but I should doubt if it began seriously until September. We have been looking over the September 15 figures a bit, as far as we can judge them from this distance, and it looks like very close to an even break between receipts and payments for the period.

The news of your presence in Germany created some newspaper discussion, but on the whole the boys handled it very quietly and sympathetically. I think the statement the Reichsbank gave out yesterday went very well and was helpful. I am enclosing a note which Wasson sent me, which is water over the dam now but indicates the newspaper man's reaction.

The Traylor speech is getting wide publicity and I think is serving exactly the purpose you had in mind in discussing an article in an agricultural paper on the Bank of England arrangement. The Chicago bank gave it wide

(No. 3)

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 17, 1925. 192

TO Governor Strong

SUBJECT:

FROM W. R. Burgess

circulation to farm periodicals. The regular clippings will show you how the New York papers handled it.

Reverting to the discussion of policy above, I am afraid my discussion and the memorandum may give the impression that we are a little asleep at the switch in watching the present stock market movement, whereas the situation is being watched very closely, and I believe the feeling is that some sale will be made from the special account whenever it seems most desirable. It seems pretty clear, however, from your cables and our reviews of the business situation, that we want to avoid a raise in rate as long as possible and we do not want to take action which will force such a raise on us. I think what we do need is a number of good statements from other sources pointing out the extent of the present stock market movement. Ayres has such an article in his last bulletin. I wish that the street loan figures were public property just now, from this point of view at least; I think they would have a restraining influence.

We are going to work on the little inquiry of your letter of July 7.

Encs.

WRB:R

(No. 3)

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 24, 1925.192

TO Governor Strong

SUBJECT:

FROM W. R. Burgess

We have received a letter from the Bank of France asking us to receive and convert six million dollars of gold bars and to pay the proceeds to Morgan's. Their letter and our cabled reply ~~are~~ attached. The gold is due to arrive next Thursday, and we are considering buying it ourselves.

At the directors' meeting yesterday some time was spent in reporting to the directors all of our foreign relationships and they were shown the attached statement, summarizing the present status.

Mason tells me that he and Parmalt presented the express rate case to the Interstate Commerce Commission on Wednesday for about three hours. In general, they were favorably received and the Commission took the case under advisement.

Deputy Governor Peple of the Richmond bank has been here all week and we have been going over with him the various proposals for public relations work, agreed upon at the Chicago meeting. As a result we have been gradually discovering what can and what can not be done, with the time and ability at our disposal.

All of the banks have approved the new ratios of distribution for acceptances and they are now in effect.

The money market is unusually firm for this time of year and month and rates have been running up to 4 1/2 per cent frequently this week, in spite of the fact that the banks were only slightly under in their reserves. Tonight the banks are in to borrow from us somewhere around 50 million dollars, although there appears to have been an ample supply of funds in the street. It looks to me as if vacations and golf were interfering somewhat with the maintenance of narrow reserve margins. There were, however, heavy transfers out late in the day.

(No. 3)

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 24, 1925. 192

TO Governor Strong

SUBJECT:

FROM W. R. Burgess

There continues to be general anticipation of firmer money in the fall, together with more active trade.

We hear differing reports about the Australian loan. Kenzel gets the impression that the distribution has gone well, but from other sources comes the report that it is a bit sticky and likely to slump when the peg is removed. There appears to be some belief that it was written with a little too low a rate.

Rather a disconnected memorandum today, in the midst of many interruptions.

Encs.

MISC. 3. 1-75M-9-23

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 31, 1925.

TO Governor Strong

SUBJECT:

FROM W. R. Burgess

Mr. Jay and Mr. Harrison are writing about specific matters, and I am enclosing also memoranda dealing with the case of one Pedro Merla, who came to us with an introduction from Mr. Winston and has been going through the bank. It therefore remains for me only to report current "gossip."

Perhaps a further word about Señor Merla. He is a Mexican Congressman who is visiting this country to prepare legislation for the next Mexican Congress on three topics:

1. Farm loan banks.
2. Oil.
3. A bank of issue.

He has completed his investigations on the first two topics and has legislation under preparation. His visit to us was preparatory to preparing legislation to establish a bank of issue in Mexico. He is an intelligent young man, who makes a very good impression. His negotiations in respect to credit relations between this bank and a new bank of issue are not, I suspect, to be taken very seriously. While he was here in the bank we gave him an ample supply of information "B" but no information "A". I think that there is nothing to be concerned about with regard to his visit, but that it assists moderately and slightly towards the establishment of a bank of issue in Mexico.

You will be interested in the attached clippings from the Dow-Jones news ticker of yesterday, together with a clipping from the New York Tribune of this morning, which we inspired, with the idea that it were better to anticipate future stories about your movements in Europe. About the only way to prevent misleading and harmful dispatches seems to be to give out carefully prepared statements such as you arranged in Berlin.

Mr. Sailer tells me that July expenses of the bank are likely to total $532,000, as compared with a budget of $562,000, $540,000 in July, 1924, and $544,000 in June, 1925. The salaries of a number of our people on three months "departure salary" have lapsed.

I lunched, this noon, with Professor Haney of New York University, who is acting for the Program Committee of the American Economic Association in the absence abroad of Allyn Young. We discussed the program for the Federal reserve meeting to be held in connection with the annual December meetings. Reed, who wrote the book on Federal reserve policy, has already been secured as one speaker. Mr. Mitchell, of the City Bank, has declined to speak - reason not specified. Professor Haney is going to try to get George Roberts of the City Bank, and we discussed, also, having the discussion led by Allyn Young and Stewart. It seems to me that we ought to have one Federal reserve person on the program and that Stewart is the logical one. If Mr. Roberts refuses, as he may after Mr. Mitchell's refusal, we have talked of Mr. Alexander, of the Bank of Commerce, Carter Glass, and Melvin Trailor. It seemed to us that two speeches, with two discussions and

MISC. 3. 1-75M-9-23

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 31, 1925.

TO Governor Strong

SUBJECT:

FROM W. R. Burgess

2.

probably discussion cut off at that point, would make a good meeting. Have you any suggestions? We may have to go ahead before there is an opportunity to act on anything you suggest, but the chances are that it will drag along for some weeks.

As to money conditions: money weakened a bit yesterday to 3 3/4% for a few hours, following a considerable flow of funds to New York for two days previous. The enclosed sheet shows that things are tighter to-day and, I suspect, are likely to continue so well over the first of the month.

One begins to hear, on a good many hands, of a spreading feeling of caution as to the stock market. I have just been talking with Garrett, financial editor of the Evening Post, and he is going to talk caution in his Saturday edition, as I think Franz Schneider will, also. You will note by the clippings that Dow-Jones has made another estimate of brokers loans, this time not quite so bad as on the last occasion. We have taken particular pains in our Review going through to-day to point out the position of loans on stocks and bonds, and I think perhaps they offer a way out of some of our difficulties. Their fluctuations, after all, reflect rather closely the changes in brokers loans, and they have long been a matter of public knowledge.

What I have been hoping, and I think it will happen, is that the security market will ease off by its own weight, which will leave us in a position to have freer regard to the international money situation.

It has been the unanimous opinion of the officers, in cabling you with regard to the situation here, that we do not need to be seriously concerned at present about the stock market situation. This belief seemed to me to be based on two factors: one, the hope just mentioned above, that any abnormalities in the present situation would correct themselves; and, two, the feeling that present prices and volume of loans are not seriously abnormal.

On the other hand, it has, I think, been the feeling of the officers that if this stock market should coast along until early fall without any decline, and if there should be added to it a considerable increase in business activity, together with an increase in open market money rates, it would then be difficult for us to avoid an increase in our rate.

Encls.

MISC. 3. 1-50M-1-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 7, 1925

To Governor Strong

SUBJECT:

FROM W. R. Burgess

We are enclosing as complete as possible a set of clippings concerning the Bank of England change of rate. It seems to me that the reception of the change was very good here, the major emphasis being on the achievement of the British in gaining a technical position which made such a change possible within a little more than three months of the resumption of gold payment. It is too early to get any indication of the actual effect, if any, on the New York market. I think possibly the most important effect will be the encouragement to trade and financial activity from the inference which many have drawn that the lowering of the Bank of England rate means that ours will stay put. The stock market seems to be strong today thus far.

I am sending along also today the material requested in your letter of July 7 to Mr. Jay, having to do with the balance of international payments, and including also a memorandum from Mr. Snyder on the general subject. Miss Rose is largely responsible for the compilation of the data, which I think you will find in good order. We have appended complete supporting tables in each case, so that you can have somebody work out the detail at any point which you desire, although I suspect that all you want is a summary on each point.

My own feeling on this whole problem is that the discussion of the problem in the past has underestimated the importance of new financing. I suspect that in the past, before the war, England could never in any one year have actually collected all the interest or principal due her. What she actually did was accept equities in foreign countries, in lieu of interest

MISC. 3. 1-50M-1-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE ______ 192__

TO ______ SUBJECT: ______

FROM ______

payments and payments on principal. She really took another I. O. U. with a further pledge of collateral. And I suspect that the ability of European countries to pay the United States interest and principal in the future depends upon our willingness to accept further obligations of those countries. From this point of view there is little practical limitation to the amount which Europe can pay us each year. The limitation is largely psychological and has to do with the extent to which we will accept European securities. And this involves a curious paradox; our willingness to accept European securities depends in no small measure upon our judgment as to whether or not they can pay.

Mr. Jay got away Saturday and is planning to be back September 3rd. Mr. Case is back looking very well and full of pep.

We are continuing to spend an enormous amount of time on public relations work and we are getting a good deal of favorable publicity. You will doubtless notice among the clippings a number of quotations from Melvin Traylor, and the Periodical Review reports a couple of bits. You may be interested also in the attached release on acceptances, which we prepared and which I think will have a good circulation.

We are working away at material for the inquiry.

Nothing unusual in the money market. Conditions are firm as usual over the first of the month, with call rates running between 4 1/4 and 4 1/2, and the New York City banks borrowing from 100 to 150 million. There is no indication as yet of any considerable transfer of funds to the interior beyond the usual monthly movement.

Encs.
WRB:R

FEDERAL RESERVE BANK

OF NEW YORK

August 14, 1925.

Dear Governor Strong:

Mr. Case, Mr. Harrison, and Mr. Sailer are all writing today and there is little to add.

I have received your letters of August 1 and am glad to be able to have such a good basis for discussing your absence with the newspaper men. As it happens, however, we have been able to avoid any real difficulty on the subject. I have talked pretty frankly with most of them along very much the same line as your letter suggests, and they have all been very decent about handling any news that came through. Wasson himself is abroad at the present time and he may look you up somewhere there.

I think your thought of giving the boys a statement when you return is excellent. I think on the whole it would be safer, and in the interest of maintaining cordial relations, to give such a statement to the Wall Street men rather than to the men who meet the steamers, if it is possible to dodge the steamer men, or put them off with some very brief statement to the effect that you found European conditions generally better than on your last trip and that the trip was simply your usual visit to correspondent banks, combined with a holiday, and of no special significance. I will find out a little more about how this can best be handled and write you further.

As to the money market, there is very little change in the position. The street loan account continues to edge up a little every week or two, but the total increase since you left has been only about 60 million. The stock market averages are acting about the same way, with~~out~~, ~~any~~ alternate rises and recessions, and the averages are now only a few points higher than when you left. There is still no considerable commercial demand for loans, although the last Federal Reserve statement gives some indication of a slight increase in the demand for currency.

I am leaving tonight for a holiday, which I shall spend at Highlands, and shall be within easy calling distance if anything arises here. Gidney will take care of affairs in the agent's function until Mr. Jay returns the first of September. There is going to be too much boiling here in September for me to delay vacation until then, with any hope of getting any. Mr. Case, with Mr. Roberts' help, will see to it that there is no break in the flow of information to you. I shall be back for a few days toward the end of the month to help in getting out the Monthly Review.

Sincerely yours,

W. Randolph Burgess

Benjamin Strong, Esq.,
Biarritz,
France.

ROFFICE
TE SLIP

SERVICE DIVISION
MESSENGER SECTION

M. DATE September 19, 1925

~~Harrison~~

Miss Bleecker

DEPARTMENT
DIVISION
SECTION

ARKS I understand you are sending the B.E. the report to the other FRBs, the photograph of the machine, and the report on certain tests.

FROM M. S. Bleecker

Letter mailed 9/24/25

DEPARTMENT
DIVISION
SECTION

N. B. USE THIS FORM INSTEAD OF OFFICE ENVELOPE WHEN POSSIBLE.

MC

TO INSURE PROMPT AND ACCURATE DELIVERY ALL COMMUNICATIONS SHOULD BE DISTINCTLY LABELED

MISC. 3. 1-50M-1-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 8, 1925 192

TO Governor Strong

SUBJECT:

FROM W. R. Burgess

I suggest that the group of economists to meet Dr. Schacht be made up as follows:

H. A. E. Chandler,
Bank of Commerce

David Friday,
342 Transportation Building,
H & 13 Street N. W.,
Washington, D. C.

George Roberts,
National City Bank

Wesley C. Mitchell
National Bureau of Economic Research,
161 West 12 Street, New York

Walter W. Stewart,
Federal Reserve Board

O. M. W. Sprague,
Harvard University

Edwin R. A. Seligman,
324 West 86 Street, New York

Allyn Young,
Harvard University

Owen D. Young,
General Electric Company

Lenard P. Ayres,
Cleveland Trust Company

Jacob Hollander,
1802 Eutaw Place,
Baltimore, Maryland

MISC. 3. 1-50M-1-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 8, 1928. 192

To Governor Strong

SUBJECT:

FROM W. R. Burgess

For the group of journalists I think the following should probably be included:

A. D. Noyes,
New York Times

Geoffrey Parsons,
New York Herald Tribune

Walter Lippmann,
New York World

Franz Schneider,
New York Sun

B. C. Forbes,
New York American

Kent Cooper,
Associated Press

W. P. Hamilton,
Wall Street Journal

Paul W. Garrett,
New York Evening Post

WRB:R

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

Mr Roberts

OFFICE CORRESPONDENCE

DATE December 21, 1925

TO Governor Strong

SUBJECT:

FROM W. R. Burgess

We have a pretty complete file on all foreign loans, which we have made up by clipping the advertisements from the papers. These advertisements usually contain nearly all the information which appears in the prospectuses, but we are now making arrangements to secure the prospectuses as well as the newspaper advertisements, so that our file may be complete in every detail.

WRB:R

Get the old ones also!

BS.

FEDERAL RESERVE BANK

OF NEW YORK

April 30, 1926.

Dear Governor Strong:

I have been over the list of things that Miss Bleecker is sending and it seems to be pretty complete. You may note that we are now carrying in the Business Summary a table which gives the aggregate figures, by weeks, for the gains and losses to the market as we report them on our hourly reports.

Mr. Harrison is covering the gold movement to Canada and the progress of affairs in Washington. My trip to Washington was postponed because of Mr. Miller's continued testimony, and I have no word as to when I am to go.

The most obvious result of our change in rate has been a stimulation of a redistribution of borrowing at the Reserve Banks. Transfers to the interior since the rate change have totaled something like $50,000,000, and Wednesday's statement shows that discounts at Reserve Banks other than New York were reduced $45,000,000 in the week, whereas our own discounts were increased by about $75,000,000; and this afternoon the banks are taking $57,000,000 more from us, to offset a very heavy movement of funds to the interior, together with currency payments and gold withdrawals. Tonight the New York City banks owe us $148,000,000, but are well over in their reserves and will undoubtedly come down some 30 or 40 million tomorrow. Clearly, if the other banks hold their rates a redistribution of this sort is logical, although of course it is accentuated at this time by the usual end of the month transfers.

I think it is now clear that the rate change has been generally well received. As you will see by the clippings Miss Bleecker is sending, the newspapers were most of them favorable, although the Chronicle took its usual crack at us. The directors reported yesterday that the comments they had heard were largely favorable, although Mr. Reynolds reported that he had heard three types of comments from bankers immediately after the rate was changed. The first comment was to the effect that the change was foolishness; the second that it was ---- foolishness, and the third that it was ---- ---- foolishness.

I lunched today with the statisticians and economists and their testimony from various industries bore out what our own figures are showing, that business is continuing at a remarkably high level and that there has been as yet no real cessation. Retail sales of automobiles for March for all makes of cars in 27 states were 20 per cent ahead of last March's. Ford was 3 per cent ahead and General Motors 50 per cent ahead. The sales in April thus far are at almost the same tremendous pace and there is little indication of a letup.

New building projects for the first 20 days of April are running well ahead of last year and at very nearly the pace of March.

The steel plants appear to be again increasing their volume of operations, with better orders from the building and automobile industries. There are more blast furnaces coming in.

All of this in the face of some continued price weakness; prices of scrap iron are still going off and lumber prices are off a bit. The net conclusion of the group appeared to be, however, that the downward movement in business is likely to be postponed for a few months, and probably until summer.

Mr. Curtiss came in yesterday and is opposed to a change in the Boston rate at this time, which a number here thought was a wise position to take.

The Federal Reserve Board has approved the appointment of the Czecho-Slovakia National Bank as correspondent.

Our board yesterday approved Mr. Jefferson's leave of absence in the fall.

I am attaching herewith a letter received from Governor Crissinger concerning the Belgium matter, and also a letter and memorandum which Mr. Case sent Governor Crissinger in order that he may talk intelligently about our rate change in case he is called before the House committee.

By the time you get this letter you and your economic confreres will, I suppose, have settled the Indian currency question, and I suppose congratulations are now in order. We shall be much interested in hearing the story when the experts return.

Very truly yours,

W Randolph Burgess

Encs.

FEDERAL RESERVE BANK

OF NEW YORK

May 7, 1926.

Dear Governor Strong:

I am just back from Washington after spending Tuesday, Wednesday and Thursday there, and appearing before the committee a half day on each of those days. The discussion of the Haugen Agricultural Bill for boosting prices of agricultural products was going on and the committee only held one session a day, except on Wednesday, when their morning session was devoted to hearing Major J. R. Bellerby, whom you may remember as a visitor at the bank about a year ago while he was working for the International Labor Office.

Bellerby had been well coached up by Sprague and did a very good job in pointing out the importance of international matters in the determination of our policy. He paid a very high tribute to our arrangement with the Bank of England. The only point in his testimony which might possibly lead to difficulty is his emphasis on the desirability of an international monetary conference, but he qualified his recommendation in that regard by saying that the same result might be produced by informal means and that in any event the time was not yet ripe for such a conference. He suggested as an alternative for the Strong bill the insertion in the preamble to the act of "to maintain the gold standard and the value of gold and to promote business stability." This is Sprague's suggestion, but with some slight modification.

I talked mostly about the money market and our relation to it, including a careful description of the methods by which we follow developments in the market. I also got into the record a statement of factors considered in making rate changes at their request. There had thus far been no straightforward statement of that sort put into the record and I think it makes a good antidote to the emphasis on prices alone.

I also suggested that the danger of an automatic adjustment of complicated economic matters, such as the price stabilizers have in mind, is perhaps illustrated by some of the difficulties arising from the British plan of adjusting wages by prices, and I showed them charts of wages and prices in this country and Great Britain.

They seemed to be much interested in these things and seemed very friendly. The only point at which there was any serious question was on repurchase agreements. Both Mr. Wingo and Mr. Goldsborough raised the question as to the legality of these transactions. They are asking the Federal Reserve Board for a statement concerning the legality, as I think Mr. Harrison has indicated, and they are asking us also to prepare a statement of the general purposes to be served by the repurchase agreements. In my discussion all I attempted to do was to deal with the importance and necessity of our aiding the dealers. After the discussion was over Mr. Wingo told me privately that he now felt convinced that we were on sound legal ground, although he wonders whether it would not be well to have somewhat more specific authorization written into the act so that there would be no doubt.

The committee would like to have this full statement on the repurchase agreements placed in their hands, with sufficient copies, so that each member of the committee could study it and then have another session on it. They have suggested my coming back for that and other matters with Mr. Harrison. Governor Crissinger has already called on Mr. Harrison for the preparation of the legal memorandum.

It was clear to me that the committee had been hearing outside criticism of our arrangements with dealers and this gives us a chance to bring the whole thing out into the open and finish it off.

As you will see from Miller's testimony, he made three principal recommendations:

1. That the Reserve Banks and Board be given in some way greater control over speculation.

2. That the office of Federal Reserve Agent and Chairman be separated and the Agent's job held by a lesser person.

3. That open market operations be conducted under the orders of the Federal Reserve Board.

I gathered from a number of comments that the committee was not greatly impressed by these recommendations and recognizes that they are simply an attempt to extend the power of the Reserve Board, which does not meet with their favor.

~~As I left Washington~~ Yesterday the committee adjourned until next week without any definite plans, although I rather gathered it was their intention to keep this hearing going pretty vigorously for some time, and McFadden suggested to Goldenweiser that he might call each member of the Federal Reserve Board and Goldenweiser himself. Goldenweiser tells me that Hamlin in particular is making careful preparation.

Money conditions here remain about as they were last week, with the New York banks owing us well over 100 million dollars and the bill dealers in for about 40 million, so that money is firm at 4 per cent, and there is still a tendency for funds to move to the interior. Part of this may be blamed on the first of the month. It, of course, raises the question as to whether we ought to make further purchases in the open market, but I do not think it would be a good idea until there is a little more indication of less active business. There is no such indication at present.

Street loans increased over 150 million dollars ~~between~~ from the time you sailed until the first of May, largely due to increases for the account of the New York banks, but they have gone down 100 million since May 1 and are now only a little over 50 million above the lowest point, so there is nothing to worry about there.

Mr. Sailer is back looking very well.

Mr. Jay is in Chicago making a speech before the Industrial Club.

Mr. Case is leaving tonight for a week.

Very truly yours,

W Randolph Burgess

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

FEDERAL RESERVE BANK

OF NEW YORK

May 14, 1926.

Dear Governor Strong:

Perhaps the most interesting event of the past few days has been the passage by the Senate, without a division, of the McFadden Bill, as amended. Prior to the passage an attempt was made to restore the Hull amendment, but was defeated by a vote of 60 to 17. An account of all this is given in some of the enclosed clippings, together with some vigorous remarks made by Mr. Glass on the subject of the Hull amendment and the position taken by the American Bankers Association. There are various opinions about what will happen to the McFadden Bill in conference, but nobody of course knows.

I am enclosing copy of a letter which I have received from Bellerby which reports his activities in regard to the Strong Bill. On reflection I do not think I like Bellerby's inclusion of the phrase "value of gold" in his proposed text "to maintain the gold standard and the value of gold and to promote business stability." It seems to me Sprague's original form is better. However, I suspect the committee is ready to follow the form that you may want to suggest, if any.

Harrison is now in Washington conferring with the Board on the memorandum concerning repurchase agreements and he telephones today that he has arranged that the whole memorandum, legal and otherwise, will be prepared here and submitted to the committee through the Federal Reserve Board. This makes it possible to make a single finished job of it and is much more satisfactory than preparing two memoranda on different phases of the matter.

Mr. Alexander attended our directors' meeting yesterday to discuss the program for the Advisory Council meeting next Friday. The council proposes to meet on Thursday for a day preliminary to the meeting with the Board on Friday in order to decide on what they want to discuss with the Board. Mr. Wetmore will be in New York on Monday for a discussion with Mr. Alexander and perhaps with some of the officers here, and then will spend Tuesday and Wednesday in Washington with individual members of the Board; all of which indicates that the council proposes to make something of their work. Dr. Miller has invited the council to dinner on Thursday night. The questions which the Board has asked the council are more interesting and broader in scope than usual and in addition the council itself has a number of questions. It seems clear that there will be some discussion on the relation between the Reserve Banks and speculation, and in particular that Dr. Miller's suggestion that an attempt should be made to limit the use of Federal Reserve funds for speculative purposes will be discussed. Mr. Alexander seems to be fully alive to the difficulties of that problem.

Supplementing the cables on the matter of a possible credit to France, Mr. Young, who was not present when the matter was discussed on Monday, said yesterday that he hoped he would never be called on to vote for the extension of credit to any country until it had a sound plan for monetary stabilization. This is similar to views expressed by other directors, which support your own position without any qualification.

It was thought by a good many here that the conclusion of the British general strike would be followed by some recovery in the stock market, but this has not proved to be the case. The market is very dull and trading is running less than a million shares a day. Money has been 3 1/2 per cent to 4 per cent all week and moderately firm. The New York City banks have been in debt between 75 and 100 million dollars. The bill dealers have had larger portfolios than at almost any time in the past, due to the fact that over the first of May the banks dumped a great many bills to adjust their position. The bill dealers now owe us more than 60 million dollars. This afternoon the New York City banks came in for about 41 million dollars and owe us tonight nearly 130 million dollars; but they can pay off at least 40 million tomorrow and still have their reserves in good shape.

The fact seems to me to be that there has been no liquidation throughout the country outside of the liquidation in street loans, and that liquidation has been partly offset by some increase in commercial borrowing and some further demand for currency. The consequence is that the country needs nearly as much Reserve Bank money now as it has at any time in recent months. On top of this there has been some shifting of borrowing from other centers to New York because of our change in rate. Wednesday's report shows that total bills discounted outside of the New York district were only 369 million dollars. Funds have been moving toward New York in moderate amount this week, but not enough to offset several previous weeks of outward movement, and today the movement was outward again, as shown by the three-thirty money sheet I am enclosing. I am also putting in a table summarizing the status of the street loan account, which as you see is now very close to the low point of April 15.

There is every indication of continued business activity on a large scale. Although I believe that a break is coming, it is certainly a long time on the way, and there is still a chance that industry may get itself into bad shape, with large inventories and overproduction, before the recession appears. I do not see anything in the present situation, however, to give alarm.

Mr. Jay reports a good trip to Chicago and to St. Louis. He found a good deal of misunderstanding in both places as to our rate change, and talked to some of the Reserve Bank officers and a small group of the St. Louis bankers concerning some of the major factors of the background and found these gentlemen very sympathetic as they understood more of the circumstances.

We are all delighted at the result of the Indian hearings and are anxious to hear the details.

Very truly yours,

W. Randolph Burgess

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

Encs.

ILO

[See Burgess to Strong May 14, 1926]

Copy of letter from Mr. Bellerby to Dr. Burgess, dated
May 8, 1926

63 Oxford Street,
Cambridge, Mass.
8 May 1926

My dear Dr. Burgess,

I am writing to remind you of your kind offer to get me out of a hole in the matter of supplying (1) a list of countries which had (a) resumed the gold standard (b) stabilised their exchange rates with the dollar, (2) a copy of the Resolutions of the Genoa Financial Commission. It seemed to me that since these would need to be included in an appendix together with other resolutions and evidence I am submitting, it would be best if the items you promised to supply might be sent direct to myself, so that I may place them in their due order in relation to the other matter. I could also, in that way, insure due acknowledgment being paid to the source of each document.

As regards the Genoa Financial Resolutions, it seems to me that it would be well to publish the whole twelve, especially in view of their being out of print now and nobody holding any responsibility for their re-publication. So, if you could send me the whole series of twelve I should be most grateful.

I was sorry not to be able to stay to the end of your evidence at Washington on Wednesday. It was going exceedingly well when I left you; and if your nerves were still continuing to cause you trouble, that certainly was not evident to the outside observer. You looked as if you might have been doing that sort of thing every day of your life; and what was said was most clear.

I saw Lombard on Wednesday night for 3 hours and also stayed Thursday night and part of Friday with Irving Fisher, as a result of which I think I have brought them round to the acceptance of the Sprague test, to which they were initially very much opposed. Incidentally, the whole subject of my visit was to consolidate the Sprague test in the mind of the Committe, so as to rebutt all the other suggestions which had been put forward. Anything else I attempted was mere clothing for the one purpose I had primarily in view.

Unless something very untoward happens I think the Sprague test will become the future basis. Though it may be little early to speak now.

Please give my kindest regards to friend Snyder. With all good wishes to your self

Very sincerely yours,

(Signed) J. B. Bellerby

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 14 1926

TO Governor Strong

FROM Reports Department

SUBJECT: Confidential Report on Gold Reserves and Foreign Accounts for week ended May 12.

Following a decline of $132,000,000 in the two previous weeks, gold reserves of the New York Reserve Bank recovered $32,000,000 in the week ended May 12. The principal gain was in a return flow of ordinary commercial and financial funds from the interior and there were also small gains in Treasury transfers and Reserve Bank settlements of acceptance transactions. Currency and coin receipts also exceeded payments, notwithstanding the withdrawal of $5,000,000 gold for shipment to Canada.

There was no change in earmarkings of gold for foreign accounts, the total remaining at $53,000,000.

Free balances of foreign correspondents were reduced $300,000 to $4,970,000 due largely to payments from the Reichsbank account. Holdings of bills declined $500,000 to $67,150,000, maturities of $1,100,000 from the National Bank of Hungary account and $150,000 from the Reichsbank being only partly offset by additions of $500,000 to the Swiss National Bank of Zurich and $250,000 to deNederlandsche Bank account. The proceeds of bill maturities from the account of the National Bank of Hungary were invested in Treasury securities and we also purchased $750,000 of Treasury's for the Bank of England, so that total security holdings advanced to $71,975,000, an amount about twice as large as our custodies for foreign account at the beginning of the year. This increase has been chiefly in the Bank of England account which advanced $27,750,000 during the period.

May gold movements to date include exports of $8,000,000 to Canada and net exports of $240,000 through the Port of New York. Gold exports from the United States in April aggregated $17,900,000 and imports, $13,100,000, making a net export of $4,800,000 for the month of April.

STREET LOANS: (Based on confidential daily reports from 41 New York City banks)

High point, December 31, 1925 - $2,962,000,000; 1926 low point, April 15, - $2,198,000,000.

Millions of Dollars

	Amount May 13	Change from Previous day	Week Ago	Feb.15,1926
For own account	905	+ 6	-32	-300
For correspondents	1,326	-18	+ 4	-414
Total	2,231	-12	-28	-714
Balances, Out-of-town correspondents	690	+14	- 4	- 29

FEDERAL RESERVE BANK

OF NEW YORK

May 21, 1926.

Dear Governor Strong:

The most absorbing topics of conversation in the bank this week have been the officers' golf tournament, the official status of the Bank Polski, and the rescuing of the bill market. The officers' golf tournament takes place Sunday at Eddie Kenzel's course. I think the attached schedule of the event may amuse you. Harrison is covering the Bank Polski, which leaves the bill market to me.

Following our change in discount rate in April we made only a moderate reduction in our bill buying rates, with the thought that that course would encourage distribution at a time when the amount of drawings was diminishing. Just prior to and following our change of rate the bill dealers put their rates down, bringing 90-day bills to 3 1/8. What happened was that in succeeding weeks bills began to pile up in the dealers' hands and distribution was very slow. Dealers' portfolios rose to perhaps 120 million, the largest amount that they have ever held.

The principal causes of this situation were, it seems to me, two: first, that the dealers had pitched their rates a little too low, anticipating easier money than actually occurred; and second, with our buying rates a bit above the market, banks were loath to take bills because they could not melt them down except at a loss. This was particularly true during a period when they were borrowing substantially from us. Of course, both of these causes arise from the anticipation of an easier money market than has in fact developed.

On last Monday the dealers raised all their rates 1/8, except for the short 1 to 30-day maturities, and we followed that up yesterday by bringing our rates down to the market. These two changes have started the market into activity once more and it looks as though all difficulty would be corrected.

The New York City banks still owe us 100 million dollars, besides 60 million we are advancing on bills. Money has gone to 4 1/2 per cent this afternoon, after remaining steady most of the week at 3 3/4; so there is no immediate prospect of sloppy money, although money is available to meet every genuine need. We are still losing funds somewhat to the interior.

The June 15 Treasury financing is going to carry with it some interesting problems. Mr. Case had a talk with Dewey this morning and finds that the Treasury will be able to meet its maturities and interest payments wholly from income tax receipts and the British debt payment, and without using any of the balances now on deposit with member banks. In fact, the June 15 operation will probably leave the Treasury with a balance of 80 million in the Reserve Banks by June 20, which we shall have to figure out a plan to take care of without disturbing the market. We have 36 million of June maturities in the open market account which Mr. Case proposes to get authority to replace, partly in advance of June 15. We are selling 33 million from the A. P. C. account to Morgan to use in the British payment, and we are buying 3rd's in replacement, so there is a bit of buying to do for the Treasury before we replace our maturities.

Business continues active, but with some further signs of an impending letup in the textiles and iron and steel. Building contracts awarded through April, and into May, continue ~~largely~~ above last year, although April permits were a bit off.

The stock market is feeble and street loans have reached a new low point, 40 million under the lowest point in April and 800 million under the high point on December 31. The recent decreases have been largely in the funds held for out-of-town correspondents.

We are looking for the Reserve Board examiner in the near future and a set of rules governing our relations with him has been carefully drawn up and all officers and chiefs thoroughly instructed as to procedure.

Very truly yours,

W. Randolph Burgess

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

Encs.

May 7, 1926.

TO

FROM J. H. Philbin, Secretary, Officers Group

In my notice of April 28 I informed you that, through the courtesy of Mr. Kenzel, the privileges of the Green Meadow Golf Club at Harrison (near Rye), New York had been extended to the officers of the bank for their annual tournament for Governor Strong's Cup, to be played on Sunday, May 23.

Sixteen acceptances have been received, which will permit four well balanced foursomes, and I am sure you may look forward to spending a most enjoyable day. In order, however, that so large a number of visitors shall inconvenience the regular club members as little as possible, it has been agreed to start the last foursome at not later than 9:00 a. m. Will you please, therefore, be present and ready to tee off at the time indicated below:

The "Highboys" foursome	Mr. Barrows	Handicap 0
	" Jones	" 6
	" Mason	" 6
Starting time 8:45 a.m.	" Philbin	" 6
The "Explorers" foursome	Mr. Case	Handicap 30
	" Crane	" 10
	" Matteson	" 15
Starting time 8:50 a.m.	" Gilbart	" 30
The "Oddfellows" foursome	Mr. Gidney	Handicap 6
	" Schneckenburger	" 10
	" TenEyck	" 17
Starting time 8:55 a.m.	" Vansant	" 20
The "Goodfellowship" Foursome	Mr. Jay WRB substitute	Handicap 40
	" Kenzel	" 30
	" Hendricks	" 25
Starting time 9:00 a.m.	" Snyder	" 40

U. S. G. A. rules govern all play <u>except that the penalty for out of bounds is loss of distance only</u>.

<u>No Stymies</u>. Stymies will not be played. The player whose ball is nearer the hole may be requested to either lift or put.

<u>Events</u> Championship - Match play 3/4 handicap (taken where indicated on the ca
Prize for winner - Prize for low net (full handicap) - Prize for low gr

The first player off the first tee in each foursome plays his first match play round against the third player off, and the second player plays likewise against the fourth player. The subsequent matches will be decided by matching cards; all cards to be given to Mr. Jones or Mr. Barrows.

MISC. 3. 1-60M-4-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 21, 1926.

TO Governor Strong

FROM Reports Department

SUBJECT: Confidential Report on Gold Reserves and Foreign Accounts for week ended May 19.

Gold reserves of the New York Bank advanced $9,000,000 further in the week ended May 19. The principal gain was in Treasury transfers to this district to meet May 15 interest payments, and we also gained somewhat in Reserve Bank settlements of acceptance transactions. In addition, counter receipts of gold exceeded counter payments for the second week. These gains, however, were partly offset by a movement of ordinary commercial and financial funds to the interior, following the influx of commercial funds to this center during the previous week.

For the seventh consecutive week, total gold earmarkings for foreign account remained at $53,000,000.

At $4,970,000 free deposit balances of foreign correspondents ~~appeared~~ were virtually unchanged. Holdings of bankers acceptances were reduced $2,700,000 further to $64,500,000 and are at the lowest level since the week of December 23, 1925. This reduction was the result chiefly of maturities of $2,100,000 from the Reichsbank and $600,000 from the account of the National Bank of Hungary. Custodies of securities increased $200,000 further to $72,200,000, due to additional purchases of Treasury securities for the National Bank of Hungary in reinvestment of a part of the proceeds of bill maturities. Gold movements during the reporting week were practically negligible. For the month to date there have been exports of $8,000,000 gold to Canada and net exports of $167,000 through the Port of New York.

FEDERAL RESERVE BANK

OF NEW YORK

May 28, 1926.

Dear Governor Strong:

The two matters of unfinished business from last week were the Bank Polski and the bill market. We have received satisfactory assurances from the State Department and from the Bank Polski itself, which leaves no course open but to renew the loan and honor their drafts. That has accordingly been done, although the situation clearly needs careful watching continuously. I assume Mr. Harrison is giving you all the details of this transaction.

The bill market is working out of its difficulties, although two days ago the dealers' rates for unendorsed 90-day bills were raised 1/8 further to facilitate distribution. As a consequence they are now cleaned out of 90-day bills. Their sales contracts with us are down to 29 million, although this reduction is largely due to outright purchases for the system. The market is now running on an even keel.

The movement of funds has been in this direction for the past week and last night the New York City banks owed us only 64 million dollars. There was a loss of funds yesterday, largely through currency withdrawals, and today currency is being paid out and we are losing through the transfers as well; so that the New York City banks may owe us up to 100 million to balance their accounts for the week. The money situation is generally regarded as comfortable, but without any sloppiness. Stocks have been a bit stronger for several days.

W R Burgess
by P. J.

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The citation for the original is:

“In and Out of the Banks.” The Wall Street Journal (New York, NY), May 28, 1926.

FEDERAL RESERVE BANK

OF NEW YORK

June 4, 1926.

Dear Governor Strong:

We have just completed a preliminary tabulation of retail trade statistics for the month of May from 52 stores in this district and find that their sales were 5.7 per cent larger than in May last year. It is a very satisfactory increase, which seems to me to indicate that retail trade is going forward at a steady pace without any interruption other than occurred earlier in the spring, due to cold weather. Automobile production was more than 400,000 cars and building contract awards continue in large volume with little evidence of a decrease as yet. The only points in the business horizon where there seems to be genuine evidence of difficulty is in the textiles and iron and steel. Textiles are apparently in pretty bad shape, with very large price concessions and diminishing production. The output of iron and steel is still large, butdecreasing, and likely to decrease further.

I do not believe, however, that we were wrong in anticipating some recession in business in the second quarter of this year. You may remember that the textile trades were among the earliest to be affected in 1921. What appears to be happening is that business is receding a bit, but doing so very slowly; and I doubt if our volume of trade index crosses normal on the way down for several months to come, and I do not think it will go very low even at that unless real estate and building and automobiles begin to crack. Much depends on how much things are overdone in the next few months.

It is quite remarkable how steadily the system's earning assets have been maintained at a level between $1,100,000,000 and $1,200,000,000. I am enclosing a chart which gives these figures by days. Practically the only change since the first of the year has been some slight shift of borrowing from other districts to New York. The New York City banks now owe us a little over 100 million and their requirements seem to be satisfied by an amount of borrowing between 75 million and 100 million.

The steadiness of the earning assets of the system reflects a considerable degree of stability in the total amount of bank credit in use. The following table shows the changes in different types of loans and investments for all reporting member banks:

Loans and Investments all Reporting Member Banks
(in millions of dollars:

	Loans on stocks and bonds	Commercial loans	Investments	Total loans and investments
January 27	5509	8278	5477	19426
May 26	5295	8408	5705	19579
Change	- 204	+ 130	+ 228	+ 153

You will note that total loans on stocks and bonds are off only 200 million, whereas street loans are off 700 million. There has clearly been a considerable shift from broker to private borrowing. This is particularly true outside of New York City, The decrease in loans on stocks and bonds has been almost all offset by increases in commercial loans and in bank investments. As you see, there has been a considerable increase in bank investments in the past few weeks, even in the face of a considerable volume of rediscounts at the Reserve Bank. This increase in investments has accompanied strong bond prices and, as you will observe, there has been a further recovery in stock prices in the past few days. I think there has been an erroneous impression among the banks here that money was going to be very sloppy, and banks have increaased their bond holdings in anticipation of this event.

Mr. Jay and Mr. Harrison, I believe, are covering most of the matters outside of the money market. We are getting a little chance these days to clean up unfinished tasks. I have been working on the discussion of the Chronicle criticisms to insert in your testimony, and have also been correcting proof of my own testimony.

John Rovensky has resigned from the Bank of Commerce and has been made first vice president of the Bank of America, where he is directly in line for the top job.

George Roberts has written a fine piece about the Strong bill in his monthly review, a copy of which I am enclosing. Mr. Mitchell is also writing a good letter to Mr. Strong on the same subject, in reply to a circular letter which Strong has sent about to a great many bankers and others asking their opinion about his bill in revised form. The revision is worse than the original,- very wordy and just as objectionable.

The professors were here a week ago looking very chesty and hearty and reporting great success, at which we were much delighted; and your letter giving a full account of proceedings has also given us a vivid picture of the whole affair.

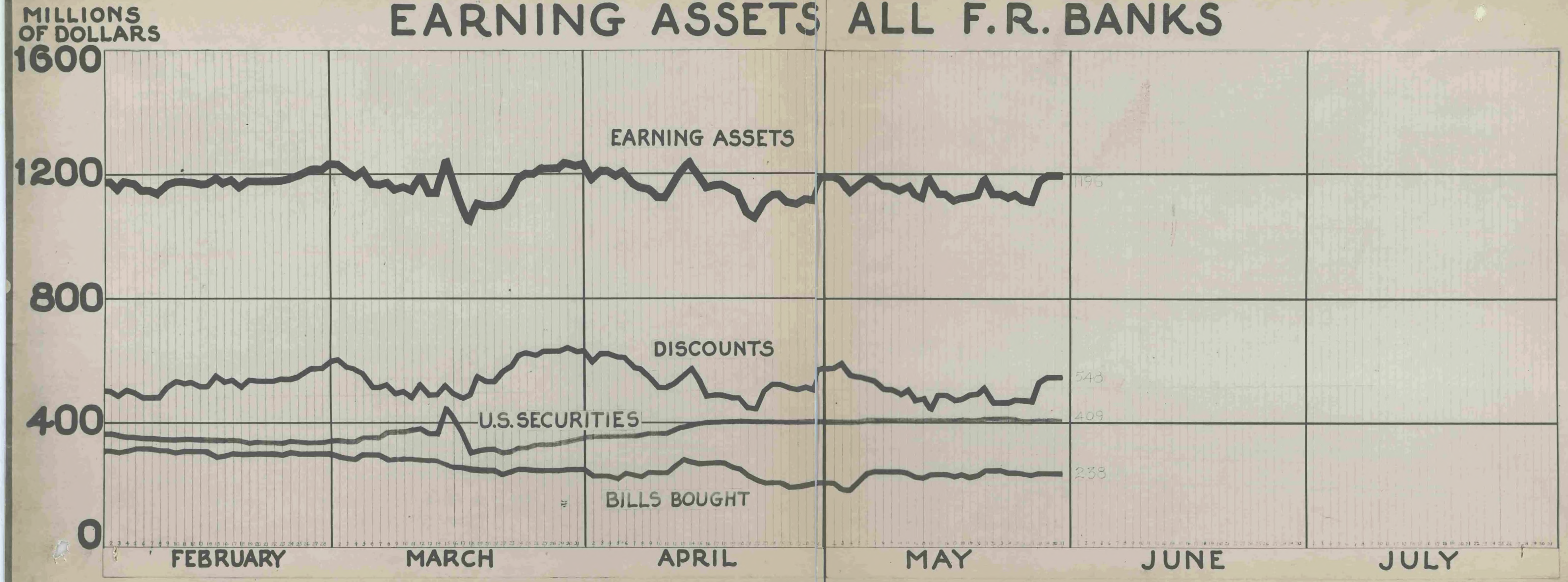
Very truly yours,

W. Randolph Burgess

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

Encs.

EARNING ASSETS ALL F.R. BANKS



The citation for the original is:

“Paris and London Formulating New and Far-Reaching Commercial Treaty.” Federal Trade Information Service (Washington, DC), June 3, 1926.

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 4 1926

TO Governor Strong

FROM Reports Department

SUBJECT: Confidential Report on Gold Reserves and Foreign Accounts for week ended June 2.

Gold reserves of this bank declined $31,000,000 during the week ended June 2 chiefly as the result of the more or less usual loss of funds to the interior over the first of the month. There was also some loss of gold reserves due to counter payments in excess of receipts but this and other losses in miscellaneous accounts were about offset by gains in Treasury transfers and in Reserve Bank settlements of acceptance and security transactions including payment to us by other Federals for their share of $7,500,000 of securities purchased in partial replacement of June 15 maturities in the Special Investment Account.

Total gold earmarkings for foreign account were unchanged at $53,000,000.

A reduction of $300,000 in the Bank Polski account and $200,000 in the Reichsbank resulted in a decline in total free balances of foreign correspondents to $4,300,000, the lowest level for any reporting date since July 15, 1925. The balance of the Bank Polski's indebtedness to the System was increased $1,500,000 to $8,900,000. In bill holdings the principal changes were increases of $1,000,000 in the Swiss National Bank of Zurich account and $850,000 in the Reichsbank, and decreases of $575,000 in the National Bank of Hungary and $125,000 in deNederlandsche Bank account. Consequently, total bill holdings advanced $1,175,000 to $65,000,000. The purchase of an additional $564,000 of Treasury securities for the National Bank of Hungary in reinvestment of the proceeds of bill maturities advanced holdings for that account to $4,297,000 and custodies for all accounts to $73,100,000.

May net gold exports through the Port of New York and to Canada were $8,369,000, according to preliminary figures. For the first three days of June, there have been net exports of $239,000 at New York.

aepbr

June 10, 1926.

Dear Governor Strong:

Your letter of May 23 from Rome arrived this morning with the enclosed report to Mr. Mellon and the further private letter. We are embarrassed by not having received any documents from London, except the papers which Professors Sprague and Hollander brought with them. Those papers, however, include everything except the prepared statement which Mr. George Roberts presented to the Commission. We are putting together documents 1 to 7, as mentioned in your letter, and sending them forward tomorrow to Mr. Mellon, together with your report, and we are sending the private letter separately. It has been quite a chore to make the necessary corrections in the documents.

I have had a chance to go through most of the evidence and it is delightful reading. I hope the Commission will print sufficient copies of the evidence so that it can be distributed with some freedom in this country. It will make a most interesting economic document.

I am enclosing an account of the latest meeting of the Stable Money League, which we all ignored by non-attendance.

I am going into seclusion again tomorrow on the Strong bill evidence and will leave the letter writing to other officers. I suspect you are feeling that the flow of letters in your direction is more than adequate.

Sincerely yours,

Burgess

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

Encs.
WRB:R

FILE[illegible]
JUN 14 1926
FEDERAL RESERVE BANK
OF NEW YORK

June 10, 1926.

Dear Governor Strong:

Your letter of May 25 from Rome arrived this morning with the enclosed report to Mr. Mellon and the further private letter. We are embarrassed by not having received any documents from London, except the papers which Professors Sprague and Hollander brought with them. Those papers, however, include everything except the prepared statement which Mr. George Roberts presented to the Commission. We are putting together documents 1 to 7, as mentioned in your letter, and sending them forward tomorrow to Mr. Mellon, together with your report, and we are sending the private letter separately. It has been quite a chore to make the necessary corrections in the documents.

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Sincerely yours,

Burgess

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

Encs.
WRB:R

FEDERAL RESERVE BANK

OF NEW YORK

June 24, 1926.

Dear Governor Strong:

Mr. Harrison's cables of June 18 and 21 will have told you of the general progress of things in the money market. The progress of events was exactly according to Hoyle. Money went to 3 3/4 and 3 1/2 for two or three days around the fifteenth, and then came back to 4 last Friday. Since then it has been 4 1/2 and 4 1/4. The Treasury's decision to invest 40 million of its balance resulting from tax payments in sinking fund purchases has prevented any large Treasury balance from piling up. In fact, our latest report shows a Treasury balance of only 20 million dollars for the system. At the present time the New York City banks owe us only about 40 million dollars and money is comfortable. The banks are losing today in the transfers and it seems clear that the tendency will be toward firmer money next week.

Mr. Case, I believe, is sending you the report and minutes of the Open Market Committee. The gist of the thing was that they decided to buy or sell 50 million additional securities temporarily to take care of the end of the month, but otherwise to leave the portfolio at its present amount of 275 million. It is still doubtful how much it will be desirable to do in the way of temporary purchases. I have an idea that after last December's performance a number of the New York City banks will be more willing to put out money, particularly with our rate at 3 1/2. I also have the feeling that a temporary crack in the nose may be a good thing for the stock market. There has been a fearful amount of twaddle about very easy money this summer, and that talk has helped feed the stock market. A little runup in rates just now might be a healthy demonstration that there is no great surplus of money kicking about. If there is any real pinch in money the action of the committee makes it possible to deal with it.

In looking over last year's figures I observe that there was some evidence of firmer money in the second half of July and during August, and I suspect the same tendencies will appear again this year. In fact, I think that there is a bit firmer undertone in the market now than there was a month ago. The bill dealers lifted their offering rates on 90-day bills to 3 3/8 again yesterday. They have never really cleaned up their portfolios. Time money seems to be pretty definitely at 4 1/4, which is rather firmer than it was a month ago.

The stock market went off quite vigorously yesterday and I think the reaction may continue next week, with firmer money. Street loans are up 100 million dollars from the low point, but are still about 700 million under peak.

This apparent inconsistency between the strength of the stock market and the comparatively small street loans, has been a bit puzzling, but I think we have found the explanation. I suspect you were able to read between the lines of our cable and make the interpretation yourself. What seems to have happened is this. When the market was going off brokers called on their customers for margin. In New York that margin was met partly by the supplying of additional collateral and partly by liquidation of stocks. In other parts of the country investors were not in a position to provide extra collateral but went around to their banks and borrowed directly on securities, sending cash to their New York brokers. The result was a liquidation of brokers loans, but an increase in direct loans to customers on stocks and bonds, so that the total loans on stocks and bonds by banks outside New York City remained practically unchanged. Another factor which would tend to produce the same result would be a distribution of stocks into stronger hands. In any event the total loans on stocks and bonds by all reporting member banks are now only about 150 million under the total at the end of January, while brokers loans are 750 million lower. I think it is clear that the total amount of credit employed for the holding of securities is within some 150 million of the amount when the market was at its top. Similarly, the total earning assets of the Federal Reserve Banks are practically the same as they were at that time. Increases in commercial loans and in bank investments more than make up for the decrease of loans on stocks and bonds and the total amount of bank credit, as indicated by the reporting member banks, is 300 million larger than at the end of January.

There does not seem to me to be anything very alarming in this situation. I think the atmosphere is much soberer than it was early in the year. If money remains moderately firm and if business continues to work off a little, as I think it will, I do not think there will be serious speculative excesses, although we may have another mild burst or two. One of the rumors which is going about just now is that the purpose of the recent rally was to distribute stocks to the public and it was quite noticeable that the rally was led by United States Steel and General Motors. A number of brokers report that the public is not very much in the market, but that of course is very difficult to determine.

In connection with all this discussion it is interesting to see the attitude of the Stable Money people. I sat next to Irving Fisher a few weeks ago at lunch and he suggested that what we ought to be doing was buying securities, and J. H. Rogers made the same suggestion yesterday. They live in a beautifully simple universe. Our basic commodity index, by the way, hit a new low point for the year this week at 142, although this move comes after a number of weeks of comparative stability.

The business situation is little changed. The textiles are getting a bit worse. Iron and steel production is being slightly reduced, but the latest report is of better orders for iron and steel and somewhat firmer prices. It is clear that building is going to be active for the balance of the year. The automobile people are announcing more price cuts, one of the latest being a further reduction in the price of Fords, ranging from 15 to 40 dollars, with the further change that Ford now furnishes starters and other equipment without extra charge. This makes it amount to a cut of 75 to 100 dollars.

I wonder if you ever ran into a chap named Charles, who is secretary of the American Defense Society. I first met him some years ago when he came to tell me about a scheme he had for beating the stock market, which was based upon the ratio of a country's gold holdings to its total currency circulation. He has a complex in favor of complete gold cover for notes, as nearly as I can understand it. He has recently bobbed up again, this time with a great interest in the activities of the Stable Money Association in his capacity as secretary of the American Defense Society. He has discovered that the Stable Money people have associated with themselves a number of parlor radicals, some of whose activities will not stand very close investigation. He thinks this is one reason for fearing that the association may be genuinely dangerous. A further interesting fact about Mr. Charles is that he seems very well acquainted indeed with McFadden, and I think that that connection gives us a clue to the lineage of some of McFadden's ideas. He has been telling Congressman Strong and McFadden something of his findings with regard to the Stable Money Association.

I have, of course, indicated to Mr. Charles that we cannot concern ourselves with the personalities of the Stable Money Association, but he is keeping me informed as to what is going on. The committee have asked to have him appear when they meet in the fall.

Kenzel, Gidney, Hendricks, and Downs, and Mr. Treman are just back from the New York State Bankers Association reporting a profitable session. Chase of the First Trust and Deposit of Syracuse was elected president, and Mr. McGarrah was elected vice president, which means he will be president next year. This represents an effort to make the activities of the association of genuine importance.

It is very good of you in the midst of your vacation to take time to answer my letters so interestingly. Please feel no obligation to do so.

Mr. Harrison tells me he has forwarded copies of all the testimony since Dr. Miller's. We are still working on putting into shape your and my testimony. It is a slow job because so many inserts are called for.

Sincerely yours,

W Randolph Burgess

W. Randolph Burgess

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

FEDERAL RESERVE BANK

OF NEW YORK

July 2, 1926,

Dear Governor Strong:

The stock market continues to boil. After a little hesitation last week it has been very strong this week, particularly in the case of some of the big industrials with large surplus earnings, where a melon may be cut. U. S. Steel has hit 144. There has, however, been no general rise of stocks to compare with the movement of a few of these leaders and, as you see by the daily letter, the industrial average is still about 8 or 9 points under the year's high. All this in spite of firmer money conditions this week, but 4 1/2 Wednesday afternoon, yesterday, and today. The money situation gave us nothing to worry about. It was not necessary to make any temporary purchases. We sold 25 million thirds from the special account and replaced them from the market. The Treasury paid for these by drawing 25 million from their balance with depositary banks left over from the March issue. Since this withdrawal was made all over the country and our purchases were made in New York, it had a tendency to put money into this market temporarily. Transfers to the interior were not as heavy as might have been expected, - the banks out there having obtained funds by increased borrowing from their local Reserve Banks. Meantime, the New York City banks showed a great willingness to put money into the market and let borrowings appear on their June 30 statement, as indicated by the fact that money went from 5 to 4 1/2 the middle of the day on Wednesday, June 30. Street loans of the New York City banks increased 55 million that one day.

The New York City banks owe us 116 million today. This large borrowing was necessary to take care of heavy currency withdrawals, considerable transfers to the interior, and increased deposits over the half year. I should think that rates might stay at 4, 4 1/4, or 4 1/2 per cent most of next week. It will not be long after that before the seasonal tendency for firmer money begins to set in. Moreover, I think other influences on the stock market are apt to be negative rather than encouraging. There is increasing evidence that the Florida situation is flattening out badly. There have already been a half a dozen bank failures, and there may well be 20 or 30 more. I think some other sections which have been having real estate booms will also prove fruitful of losses. There are a number of other weak points in the situation with which we are all familiar. Meantime, however, most of the big industrial concerns seem to be well geared up to meet any situation.

Last night Mr. Harrison took the midnight train with all of our testimony, exhibits and memoranda in his brief case to deliver to Mr. McFadden, and he tells me today over the telephone that they are now delivered and that matter is off our minds, for the present at least. We have been rather steadily at it for a number of weeks and very vigorously at it for some days. It has been quite a chore getting together all the insertions, including memoranda on the Chronicle, repurchase agreements, and, for my testimony, a statement of powers which the Reserve System possesses for stability. I think the material is now pretty bomb-proof and I was greatly impressed, in reading galley proof for the past few days, with the high quality of the whole thing. It is going to be a very important document. We shall probably see page-proof and make an index.

Additional copies of the testimony before the Indian Commission have at last arrived. I find that express packages of that sort are frequently held up for weeks in the express office here and we can greatly expedite the process if we have a description of the package together with information as to the date and place of shipment, and the consignee.

O'Connor, the head of the finance section of the U. S. Chamber of Commerce, was in yesterday and tells me that they are planning to go forward with that study of the Federal Reserve System which they proposed a year ago. It means the appointment of a large number of committees of prominent business men, the employment of some expert staff, and a kind of combindation of investigation and publicity. You may remember that we were a bit doubtful about this program a year ago, when they suggested it, particularly as it seemed likely to concentrate on recharter. I think the picture has greatly changed this year. The Strong bill and the activities of the Stable Money Association have given much broader reason for the proposed study and I think perhaps the Chamber's work may provide the means for offsetting any harmful results which may follow from mistakes of the Stable Money Association. Lombard is going about the country now lining up the hundreds of business men to support the Stable Money Association. He is clearly a thoroughly dangerous person, - a fact which I think O'Connor appreciates. Meantime, of course, we are keeping hands off entirely. I think Walter Stewart will serve on the steering committee of the Chamber's investigation. At any rate I greatly hope he will.

The McFadden bill seems to be dead for this session. The latest compromise suggestion was one from Carter Glass that the bill be passed without reference to branch banking. I doubt if this would commend itself to the House. In any event it seems too late now for a last minute compromise. The matter will be up again in the fall.

It is hot and close here and it is a fine time for you to be away.

You can realize from the clippings to what extent you are in the limelight here. I do not get the impression, however, that there is any real misapprehension concerning your position and activities. I find that when the newspaper men make inquiries it works pretty well to ask them in return what they think they would do if they were you and were abroad. That question usually satisfies them.

Sincerely yours,

W Randolph Burgess

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

Encs.

FEDERAL RESERVE BANK

OF NEW YORK

July 9, 1926.

Dear Governor Strong:

By the time you get this letter the money market will have settled back to a more normal status, I trust, and we shall have cabled you to that effect. But just now the thing we are interested in is the very heavy borrowings of the member banks, which reached a high point, as we indicated in our cable, of 190 million on Wednesday. Their loans increased 137 million in the five business days from July 1 to July 7.

We got over the window dressing period without the slightest difficulty and the borrowings never ran up much beyond 60 million. Then on July 1, 2, and 3, there were heavy currency withdrawals and transfers to the interior, so that the market lost over 120 million.

All this made quite a problem but it was finally decided not to make any purchases in the market, partly because money conditions were so steady with the call rate at 4 1/2 and no real stringency, partly because the stock market was acting up and would not be injured by a little pressure, and also because it was clear that the condition was due to temporary causes and would be corrected shortly.

Yesterday the banks paid off 15 million dollars and brought their borrowings down to 175 million. They may pay off a little today, but in any event they will start the new week tomorrow about 40 million over in their actual reserves. Only about half of the 35 million dollars of Fourth of July currency has been returned and more will be in next week. Also, next week should see some transfers from the interior. It therefore seems as though the banks could reduce their borrowings next week to 100 million dollars or less.

One interesting feature of the financial transactions over the half-year period was the movement of street loans. Just as last year the out-of-town banks pulled money out of the street at the end of the year and have now put it back in, so that the picture shows a big increase on June 30 in loans by New York City banks, but a decrease since that time of 80 million. The total of street loans is 150 million higher than the low point.

As far as future money conditions are concerned, it seems clear that what has taken place in the past week is evidence that it only takes a little extra demand to firm up money conditions quite considerably. I think this means inevitably that the fall demand will bring with it somewhat firm money conditions, which will give us an important problem in policy.

I take it that one important phase of the question is the relation of rates here and in London. A good foreign exchange man told me yesterday that with 90-day bills at 3 3/8 here and 4 1/4 to 3/8 in London, and with the present discount on forward exchange, there is no particular attractiveness to move funds in either direction. We have almost a precise balance. The future relationship of the two markets, then, seems to depend a good deal on how they reflect respectively the seasonal tendencies and the business tendencies as well.

As far as the domestic situation is concerned, I think if you were here you would feel that the most important fact was that the psychology is reversed from what it was last spring. At that time recession was in the air. At present there is much more confidence and a good deal of blind talk about how the present tremendous prosperity will continue forever.

I have just been attending the meeting of the Atlantic States Shippers Advisory Board at Atlantic City, going down with Mr. Chellis Austin to explore the question whether there should be a bank committee as a part of their organization.

There does not seem to be anything very definite for such a committee to do at present. But the interesting thing was the reports which different groups of shippers made on business conditions in their several industries. The concensus of opinion seemed to be that the movement of goods over the third quarter would be very close to the second quarter, but that the tendency was downward, although I must say there were a good many who failed to see any downward tendency.

Sincerely yours,

W Randolph Burgess

Loans off 7 million tonight

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

WRB:R

MISC. 3. 1 60 M 12-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 9 1926

TO Governor Strong

FROM Reports Department

SUBJECT: Confidential Report on Gold Reserves and Foreign Accounts for week ended July 7

Total gold reserves of this bank were reduced $107,000,000 during the week ended July 7 after advancing $71,000,000 during June. The loss was chiefly in the usual first of the month movement of commercial and financial funds to the interior which was accentuated this month by the heavy disbursements which occur at the half year end. There were other losses in Treasury transfers and Reserve Bank settlements, and withdrawals of holiday currency from us early in the period were only partly offset by a return movement on the 6th and 7th.

We released $750,000 of gold from the Swiss National Bank of Berne account and credited the proceeds to the Bank of England's account with us. Earmarkings for the Swiss Bank are now $5,730,000.

Free balances of foreign correspondents increased about $1,000,000 to $5,800,000 due to an increase of $500,000 in both the Bank of England account and the Reichsbank account. The total of loans to the Bank Polski was reduced $600,000 further to $4,900,000. Bill holdings were reduced $160,000 chiefly as the result of maturities from the Reichsbank's ownership. The purchase of $5,000,000 Treasury securities for the Bank of England advanced holdings for that account to $55,250,000 and total security holdings for all accounts to $80,800,000.

July gold movements through this port were unimportant thus far, resulting in a net import of $200,000.

M. Sailer

CHIEF FOREIGN OFFICE
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370

American Letter No. 412. July 24, 1926.

 For Clients Only.

Dear Sir:

1. The following, in substance, is a conversation with an important official whose opinions carry weight in the conduct of the Government:

Q. Would it not be highly beneficial for this country, on its own initiative, to cancel the war debts?

A. It would have been right after the war, but it is politically impossible now. Moreover, had we cancelled then our trade gains might readily have been greater than our direct recoveries now are likely to be.

Q. The country is hardly in a state of military preparedness. Is it safe to incur the hate of all Europe?

A. The strong are usually hated by the weak. I do not think that feature of the case is substantially important.

Q. Assuming that the Allies should be willing to reduce the Dawes Annuities to a point where Germany would and could pay with fair grace, would it not be good policy for the United States to reduce the war debts in proportion?

A. That is what the Germans and others are now proposing. Such a solution would have economic results of the highest importance, but it would not lessen criticism of the United States, because such criticism has become the stock in trade of European politicians. Nevertheless, it is about what we are going to come to.

Q. Do you think the franc can be stabilized at present values?

A. Again there is political danger. Were the franc stabilized at two cents, say, stabilization would no sooner get well under way than the politicians would be demanding that the value be raised to three cents. A whole new set of illusions would be constructed, filling franc security-holders with hopes of a gradual return of the paper franc to the old gold parity. In any event, stabilization at present values would mean the beginning of a long and painful movement. It would be a palliative rather than a remedial measure. The introduction, on the other hand, of a new currency at the old par, drastic as it would be, would in the event be best for France. And there is ample gold in France to make such a maneuver a success. It would be the quickest and the best way to bring French currency back to normal and completely to restore confidence.

Q. Do you think France is inherently sound?

A. Unquestionably. It is a country rich in what economists regard as virtues. But it is a low-price country, which adds greatly to its difficulty in liquidating external debts. The best young men, who normally now would be furnishing initiative and resourcefulness for business enterprise, are dead. The war took them as first toll. France, as it were, has lost a generation, as has England. In estimating the capacity of a country to pay, this is one of the imponderable factors. I doubt if our people have given it sufficient consideration.

Q. Will payment of the debts reduce the standard of living in Europe?

A. Undoubtedly. Differences in taxation constitute a real differential in cost of production. Payment of the debt penalizes the European in two ways. First, he must work longer hours and produce more in order to earn the excess revenue necessary to meet the debt payment, and, secondly, he must accept wages that enable his employer to meet the competition in world markets that lower taxation in America entails. As wage scales in Europe are normally low, there is no room for sacrifice except at the cost of food and drink and housing. From a selfish viewpoint, therefore, it would seem to enhance our chances in world trade if we insist on debt payments. But world trade, it is well to remember, depends on the ability of the world to buy. America has very little she can sell to poverty-stricken populations, except foodstuffs. A prosperous Europe could absorb many American automobiles. There are other factors and, on the whole, economists agree that cancellation would benefit our overseas trade.

Q. Would it not be possible to secure valuable economic concessions in return for debt cancellation? For instance, might it not pay us to remit the British payments in return for an agreement by London to eliminate rubber restriction and aim, say, at an approximate price of 35 cents the pound for that commodity?

A. I am against trades of that character, particularly where they would have to be more or less secret. Governmental price-fixing is economically suicidal. I am aware, of course, that war loans heretofore made in history were denominated loans only in order that the creditor country might have trading material at the peace table, and not with any idea that such loans would ever be repaid. But the United States has never been in the habit of buying policies for cash.

Q. Would you favor cancellation by indirection, that is, by arranging to lower our tariff barrier?

A. Decidedly not. Our purpose in the world should be to bring the rest of the nations up to our standard of living, not to lower our standard to theirs.

Q. Do you expect a comprehensive stabilization plan to be worked out this summer?

A. It is probable, or rather possible. I understand that Governors Strong and Norman have done heroic work and have what they think is a workable scheme. Moreover, if they think it workable one may be certain that it is. It all depends, one may suspect, on the willingness of France to divorce her banking from politics. When there are iron-clad assurances on that score, stabilization will be certain.

FEDERAL RESERVE BANK

OF NEW YORK

July 19, 1926.

Dear Governor Strong:

Our cable of last week and Mr. Case's letter, which goes forward today, will have covered the general credit situation pretty thoroughly. Money renewed at 4 1/4 this morning and has gone to 4. The market is gaining on the transfers from the interior, member banks are starting the week about even in their reserves, and the New York City banks owe us less than 100 million dollars.

Thus the prospects seem to be for moderately easy money conditions this week, although it will be time in the next few weeks for the seasonal demand to begin. The commercial paper dealers are still reporting most of their sales at 4 per cent, but they are beginning to sell some of their paper at 4 1/4 and there is an increase in the amount of borrowing. I think it will not be many weeks before 4 1/4 becomes the prevailing rate. Time money is now 4 1/2, except for occasional transactions in shorter maturities at 4 3/8. Ninety-day bills are 3 3/8, with a few transactions still taking place at 3 1/4. My guess is that the bill rate will overtake our discount rate during August.

With regard to the business situation, we had a careful review of the whole picture last Friday at our luncheon of economists and I spent the weekend with Ayres, Stewart, and George Roberts. Even such confirmed pessimists as we are have to admit that the anticipated business recession is a good many hours behind the running time scheduled for it. The figures which are now in indicate that business during the second quarter was somewhat less good than during the first quarter of the year, but the decline was not sufficient to be termed a recession and the figures are now well above normal in most lines of business. In particular the building industry, the steel industry, and the automobile industry are holding up remarkably well. In fact the year 1926 is likely to produce new high records of output for automobiles, iron and steel, building, railroad traffic, and probably some other phases of business.

The continuation of active business seems to be due in part to the continuation of a large consumption of material, particularly in automobiles and building, and it seems to be partly due to a change in the psychology which makes people more willing to place orders further ahead. If I had to guess I would think that business in the third quarter will be almost up to the second quarter, but that by the time the fourth quarter of this year is reached we may be sufficiently overbuilt and overproduced to require a period of readjustment.

A few months ago I had the feeling, as I think you did, that this very long continued prosperity had been too good to endure and that a more vigorous recession would have taken place before this. I suppose the principal reasons why maladjustment has not yet occurred are these:

(1) By more efficient methods and more intelligent management; we have avoided a labor shortage or labor difficulties.

(2) By faster transportation, which has made forward ordering unnecessary, and because of a downward tendency in world prices, we have avoided price inflation.

(3) By gold imports and increased use of Federal Reserve facilities, we have avoided credit stringency.

At almost any time in the past such a long extended period of prosperity as we have had recently would have been followed by a labor shortage and disturbances, clogging of transportation leading to advance ordering, large inventories and advancing prices, and further by credit stringency. Without the 100 million of gold we have imported and the 100 million increase in Federal Reserve earning assets, it is clear that money would now be tight.

I think it is a fair question which many people raise when they say that, now we have disposed of the old bugaboos which previously pounced down upon and destroyed our prosperity of previous periods, we may now enjoy continuous and uninterrupted prosperity. It may be possible, and yet I suspect that the only safe position for a dispenser of credit to take is one of skepticism. The old maladjustments of the business cycle were based in the last analysis on human psychology, which is quite unable to act always with philosophical moderation, but successively overdoes and underdoes whatever it undertakes; and I feel sure that we are finding ways now to overdo our prosperity, particularly in building and real estate. It is very difficult, however, to estimate the time or extent of any recession which may take place. We clearly have no precedents which apply directly to this kind of situation.

As to the stock market, it is now about as high as it was in the spring. Rails are several points higher and industrials are several points lower. The outlook, moreover, as reflected by brokerage houses and others is much more optimistic than it was last spring. I think there is a much more general feeling that the present values are based upon substantial foundations than there was last spring and there is some basis for this belief, - first, because the yield of a number of securities has been increased by an increase in the rate of dividends or by distributions; second, the prosperity has continued longer than had been anticipated, with excellent business earnings; and third, because brokers' loans are much smaller.

Colonel Ayres has been doing a perfectly tremendous amount of work for the last eight or ten months on the movement of stock prices, and some of this work seems to me to have an important bearing on the normality or abnormality of present prices of industrial stocks. One job that he has done is to compute the prices and yields of all the dividend-paying industrial stocks traded in on the New York Stock Exchange each month for the past 25 years. With these figures as a basis it is possible to compare over a period of years the relationship between stock prices and their yield. This is done on the back page of his July circular, which I am enclosing and which I think you will find interesting. It is the soundest rational justification for present stock prices that I have seen.

I am including a number of other papers which I think you will find of interest, including the Tribune's account of a recent sporting event which I judge to be a good account, having checked it up with a number of eye witnesses. If anything, the contest appears to have been closer than the account would indicate.

Sincerely yours,

W. Randolph Burgess

W. Randolph Burgess

Encs.

WRB:R

MISC. 3. 1 60 M 11-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 15, 1926

TO

FROM A. J. Lins

SUBJECT: FIRST NATIONAL BANK, AMITYVILLE, N. Y.

Cashier Percy L. Hall called and discussed his bank's Southern loans, which he said totaled $77,000. About 50% of this total is secured by Stock Exchange collateral. The balance, save a small amount, is secured by Southern banks' bills receivable. While this may be a slow work-out Cashier Hall feels that the maximum loss that his bank will sustain in this connection will be about $15,000.

He stated they were very fortunate indeed to be in their present position, and gave the F. R. Bank of New York entire credit for the large reduction in his bank's Southern loans (which totaled $623,000 on 8/24/23 against their present total of $77,000). If news should get out that his bank is connected with the Witham System, he said a slight flurry might occur in Amityville and wanted us to be familiar with their present position in case he needed our assistance.

MISC. 3. 1 60 M 12-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 16 1926

TO Governor Strong

FROM Reports Department

SUBJECT: Confidential Report on Gold Reserves and Foreign Accounts for ~~week ended July 14.~~

Gold reserves of the New York Reserve Bank during the week ended July 14 regained $26,000,000 of the $107,000,000 lost in the previous week. There was a return of commercial funds from the interior and of currency from circulation within the district. Gains in Treasury transfers were offset by an adverse balance of Reserve Bank settlements.

We released $3,250,000 of gold from the earmarkings for the Swiss National Bank of Berne and their balance so held is now $2,480,000.

Free balances of foreign correspondents were reduced about $1,300,000 to $4,500,000 chiefly as the result of payments of $1,000,000 from the Bank of England account and $400,000 from the Reichsbank account. Our loans to the Bank Polski were reduced $1,700,000 further to $3,200,000. Acceptance holdings declined $400,000 principally due to maturities from the Reichsbank and de Nederlandsche Bank's holdings. The purchase of $7,000,000 Treasury securities for the Bank Of England, $1,200,000 for the Agent General for Reparation Payments, and $1,000,000 for the Swiss National Bank of Zurich raised total security custodies to $90,000,000.

July gold movements to date include net imports of $100,000 through the Port of New York and $1,500,000 from Mexico. This shipment from Mexico makes a total of $6,500,000 received from that country since the middle of June. Figures on June gold movements between the United States and other countries show imports of $18,900,000 and exports of $3,300,000, resulting in a net import of $15,600,000.

FEDERAL RESERVE BANK

OF NEW YORK

7

July 30, 1926.

Dear Governor Strong:

Money has just gone to 5 per cent after a couple of weeks at 4. This seems to be a logical development of the end of the month and is in keeping also with a tendency for money rates to grow steadily firmer. Commercial paper is now generally 4 1/4 instead of 4 per cent; time money is 4 1/2 to 4 3/4; bills are unchanged.

Our loans to New York City banks are steady around 100 million dollars and system earning assets are about 1100 million, or about 100 million more than a year ago.

After a temporary slump last week the stock market is boiling again. For some weeks the trading has been unusually concentrated in a few stocks. A quarter to a third of the trading has been in General Motors, United States Steel, Dodge, and Hudson. General Motors has passed 190 and steel has gone above 147. What appears to be happening is that there are a number of very strong pools operating in the market and that there is very little public participation. The pools appear to be hoping and praying that by fall they can generate a market in which the public will be interested. From what I gather from other sources, the enclosed clipping from this morning's Times seems to be a pretty accurate comment. There has been no particular change in street loans for some weeks.

Business in general continues to be excellent. The principal weak spots where trouble may be generating appears to be building and real estate. There are increasing reports of very soft real estate markets in a number of different localities and the building materials market seems to be increasingly a buyer's market. Building contracts and permits have been gradually working off since early in the year and there is some anticipation that this tendency will continue; it will certainly be logical for it to do so. There is probably overproduction at a number of other points, perhaps most notably in silk, where the stocks of finished articles are very large.

There is nothing, however, in the business situation which gives cause for immediate alarm and it seems clear that there will be a good volume of business for the balance of the year. The business sentiment continues optimistic, perhaps a little too optimistic.

About the hearings in Washington, I find that I was wrong in saying that they had all been forwarded to you. I misunderstood something Mr. Harrison had said. I passed on to him that paragraph of your latest letter.

I am leaving tonight for my vacation, which I shall spend on the Jersey coast within easy reach of the bank. I shall be in the latter part of the month to get out the September 1 Review and will keep in touch with things.

Sincerely yours,

W Randolph Burgess

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

Encs.

WRB:R

The Public Not "In."

A canvass of some of the larger Stock Exchange houses yesterday disclosed the fact that despite the "boiling" [illegible]arket, they are doing little mo[illegible]han they had anticipated for midsummer. In other words, it is only the houses with pool connections and affiliations with banking institutions, which are doing a big business at the present time. In most wire houses the same conditions prevail and the orders [illegible]ter in by 100, 200 and 300-share lots, which is not very pleasing to the heads of these firms when they see a total of almost 2,500,000 shares dealt in on the Exchange. These men feel perfectly confident from the evidence of their own books that the public is not in the Stock market, and that the big transactions which had Wall Street so excited yesterday were to a large extent professional and the work of pools. The head of one large house said yesterday that the loans of his firm had advanced scarcely $1,000,000 from the low point of the year.

85¼	77½	400	Western Pacific pf. (6
147⅝	134½	300	West. Un. Telegraph
134	105¼	5,200	W'house Air Brake (†7
79½	65	3,000	W'house E. & M. (4).
19½	13¾	4,500	Weston Elec. Instrume
32	18	600	Wheeling & Lake Eri
29¾	25⅛	900	White Eagle Oil (2)...
90	51⅛	19,400	White Motors .....
38⅜	26	400	White Rk. M. ngs
48	47¾	400	White Sew. M pf.
34	18	41,600	Willys-Overland ......
99	91⅛	300	Willys-Overland pf. (7
12¼	6	100	Wilson & Co. ....
222	135¼	4,600	W'lworth (F.W.) Co. (
44¾	20¼	200	Worthington Pump ...
39¾	24½	2,900	Wright Aeronautical (
69	60½	100	Yale & Towne Mfg. (
32⅞	20	9,200	Yel. Truck & Coach (72
100⅞	91½	300	Yel. Trk. & ch pf.
89⅞	69	10,900	Youngstown S. & T.
			RIGHTS—EXPIRE.
6 9/16	5¾	8,100	Am. Tel. & Tel., Aug.
13⅞	10¾	2,900	Cuba Co., Sept. 8.....
⅞	½	2,700	Int. Cement, Aug. 11.
8⅜	6⅞	2,500	Int. Tel. & Tel., Sept.
3¾	1½	5,000	N. Y. Air Brake, Aug.
22½	16⅞	500	Reading, Jan. 1.......
3	⅞	5,800	Yellow Tr. & C., Aug.

Dividend rates as given in the abov
based on the latest quarterly or half-y
noted, extra or special dividends are not

* Partly stock. † Partly extra. ‡ Pl
§ Payable in common stock. ¶ Plus 3%
rate. b Ten per cent. in common stock
stock. d Payable when earned. e Paya
stock. g Plus 1/50 share in st

MISC. 3. 1 60 M 12-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 30 1926

TO Governor Strong

FROM Reports Department

SUBJECT: Confidential Report on Gold Reserves and Foreign Accounts for week ended July 28.

An increase of $3,000,000 during the week ended July 28 carried gold reserves of the New York Reserve Bank to $1,005,000,000, an amount, however, $49,000,000 lower than the total on June 30. The largest gain to this bank was in commercial transfers and check settlements but we also gained through Treasury transfers and gold imports. On the other hand, the balance of inter-Reserve Bank settlements was against us and the movement of currency over the counter was outward.

For the third consecutive week the total volume of earmarked gold was unchanged at $49,600,000.

Free deposit balances of our foreign correspondents increased $1,200,000 as the result of receipts of $1,500,000 for the Reichsbank account which were only slightly offset by payments from various other accounts. Loans to the Bank Polski were reduced $1,700,000 further to $1,300,000. Bill holdings declined $1,900,000 chiefly due to maturities from the Reichsbank's holdings. A purchase of $5,000,000 of Treasury's for the Bank of England account increased security holdings for that account to $67,250,000 and custodies for all accounts to $96,100,000.

For the Port of New York, gold imports during the first 29 days of July were $600,000 and exports, $1,400,000. In addition to gold movements through this port, shipments of $3,000,000 from Mexico were received in New York, and yesterday $2,500,000 of gold was withdrawn from us for export to Canada, accompanying an advance in Canadian exchange to a premium of 3/16 of one per cent. Net exports for the month to date, $300,000.

THIRTY THREE LIBERTY STREET
NEW YORK

January 20, 1927.

Dear Governor

I have been staying at home today to keep a close eye on a small boy with an infected mastoid, and incidentally to complete a draft of the annual report. The boy's case is pretty well set for an operation, after a second consultation this afternoon, but everything is favorable as the infection has been working out and not in. There is a possibility that we may dodge the operation altogether, but rather a slim chance.

The completed draft of the report went back to the bank late in the afternoon and will be ready to go the rounds of the deputy governors in a day or two. I am going to send you a copy, which you can put into the fireplace if you don't feel up to it. Mr. Jay saw and approved the important parts of it before he left, and I shall of course get Harrison to go over it with care. It is mostly a money market report, trying to bring out some of the things we have been learning about our relation to the market. I think the report is a contribution to economic science, but that's the way we always feel when we have just finished a job.

This letter has wandered from

its real purpose which is to make belated reply to your perfectly bully note sent by Harrison. Perhaps the foregoing establishes a sufficient alibi for delay.

I do like thunderbolts and I must admit to disappointment. I am just conceited enough to think I could do the job as well as anybody they can get. But on the other hand I can quite appreciate the point of view the Board has taken, and I am not sure but they are right. At least there is enough in that thought to make me content to carry on as an assistant for some time longer, until I get bald and grey. Perhaps this mastoid business will give me a premature grey hair or two which might help.

After all, my present job is about as satisfactory as anybody could ask. It gives a chance for research and study and a chance to apply the results. The only limitation on the accomplishment is my own productive power. I am honestly quite content, particularly since this whole discussion has opened up future possibilities.

So I'll be glad to pull at the ropes, or hollystone the deck, or do anything else that needs doing; for its a fine ship to sail on, and I like the captain — Yours

W.R.B. —

THIRTY THREE LIBERTY STREET
NEW YORK

January 20, 1927.

Dear Governor

I have been staying at home today to keep a close eye on a small boy with an infected mastoid, and incidentally to complete a draft of the annual report. The boy's case is pretty well set for an operation, after a second consultation this afternoon, but everything is favorable as the infection has been working out and not in. There is a possibility that we may dodge the operation altogether, but rather a slim chance.

The completed draft of the report went back to the bank late in the afternoon and will be ready to go the rounds of the deputy governors in a day or two. I am going to send you a copy, which you can put into the fireplace if you don't feel up to it. Mr. Jay saw and approved the important parts of it before he left, and I shall of course get Harrison to go over it with care. It is mostly a money market report, trying to bring out some of the things we have been learning about our relation to the market. I think the report is a contribution to economic science, but that's the way we always feel when we have just finished a job.

This letter has wandered from

its real purpose which is to make belated reply to your perfectly bully note sent by Harrison. Perhaps the foregoing establishes a sufficient alibi for delay.

I do like thunderbolts and I must admit to disappointment. I am just conceited enough to think I could do the job as well as anybody they can get. But on the other hand I can quite appreciate the point of view the Board has taken, and I am not sure but they are right. At least there is enough in that thought to make me content to carry on as an assistant for some time longer, until I get bald and grey. Perhaps this mastoid business will give me a premature grey hair or two which might help.

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W.R.B. —

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 14, 1927. 192

TO Dr. Burgess

SUBJECT: European Consumption Estimates

FROM Miss Bagwell

It seems extremely difficult, from the available data, to make any very accurate comparisons of European consumption of food and other consumable materials, as before and since the War. It is, of course, easy enough to make estimates, and from such estimates conclusions have been drawn which are difficult either to prove or disprove.

We may take, for example, the case of wheat and wheat flour. European countries (outside of Russia) normally raise about two-thirds of their own supply and import the other third.

The reported figures show that, in the four years ending with 1925, European wheat crops outside of Russia averaged about ~~10~~ 12 per cent below the immediate pre-war average, and that their total imports from outside countries averaged about 10 per cent higher. This would suggest that consumption may have been lower by about 5 per cent in the post-war period.

But it is very doubtful if production figures, especially, are so accurate that any hard and fast conclusion can safely be drawn.

As regards our own exports of wheat and wheat flour, these were, of course, very heavy in and since the War, but in the last few years have fallen off sharply.

But this decline in our own exports has been just about compensated by the great increase in Canadian exports of wheat, which are now the largest in the world. Combining the exports from the two countries, we find that since 1916 the exports of wheat from this Continent have varied very little from a level of about three times the pre-war average.

These heavy exports have, of course, been due largely to the dis- appearance ~~turbance~~ of Russia as a large wheat exporter and would naturally be affected by the return of Russia to its former role. But the actual increase in wheat exports from this Continent over the pre-war appears to be considerably larger than the decrease in Russian exports, so that it seems probable that other countries, principally those of Eastern Europe, have also fallen off in their available exports.

As regards meat imports into Europe, there appears to have been a quite striking increase, amounting to something like 50 per cent of pork products and around 80 per cent in beef products. Our own contribution towards this has been principally in pork products, and these in the most recent years have been about 75 per cent above the immediate pre-war average.

These heavy imports may have been due to the greatly reduced meat production of Central Europe, but this is the sort of production which can be very quickly stimulated, and we are now more than eight years away from the close of the War.

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 14, 1927 192

TO Dr. Burgess

SUBJECT: European Consumption Estimates--2

FROM Miss Bagwell

These increased meat imports into Europe have, therefore, tended to support the rather paradoxical belief advanced in some quarters that there actually has been a rise rather than a decline in the standards of average living since the War. This equally would be a theory difficult to prove or disprove.

But it does appear from the shipping figures that European foreign trade has made a very remarkable recovery in the last four years, and that in some countries, at least, this increase would be nearly sufficient to make up the relative deficit caused by the War.

It is very difficult to make use of money values for such a comparison, but there is a very fair measure of this trade in the actual tonnage of ships entered and cleared from the principal ports, especially for measuring the average rate of increase.

In the ten or fifteen years just preceding the War, this rate of increase in tonnage cleared in the eight principal shipping countries was very close to $4\frac{1}{2}$ per cent per annum. If such a rate had been continued from 1913 straight through to this year, it would mean a total increase of about 75 per cent.

The actual increases for the four principal Central European shipping countries were:

France	~~50~~ 40 per cent
Germany, nearly	~~50~~ 33 "
Belgium	~~66~~ 50 "
Netherlands	100 "

Increase of total for
these countries (about) 50 per cent

Four other principal shipping countries, Great Britain, Italy, Norway and Sweden, appear to have made no such gains; and as these eight countries do the larger part of the total shipping of Europe outside of Russia, this naturally lowers the average for all of Europe. But it at least seems clear that there could have been no such increase in the countries named if there had not been a quite marked recovery in their industrial activity, and hence in their foreign trade.

~~Even~~ And the immense loans made to Europe and other foreign countries would be quite inadequate to cover the immense purchases of Europe for food and crude materials, if Europe were not exporting in rather large quantities.

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK

OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 14, 1927 192

TO Dr. Burgess

SUBJECT: European Consumption Estimates--3

FROM Miss Bagwell

There is, of course, a variety of definite quantity data, such as, for example, production of coal, iron and steel and similar products, which indicates that European production has gained very little beyond immediate pre-war levels; but our own experience in this country, where we have such an extraordinary variety of information and can make very wide and definite comparisons, is that it is quite dangerous to draw too hard and fast conclusions from such barometers. For example, our production of pig iron and even our total railway traffic has grown at no such rate in the last five years as in the five years preceding the War, and yet these five years have been years of great industrial expansion and prosperity.

As regards the decline in European consumption of cotton and our own exports of cotton to Europe, we have a ~~gain~~ case that stands quite by itself.

In the first place, our own production of cotton has, until the last year or two, been greatly reduced, which resulted in very high prices for American cotton and a corresponding decline in the demand for cotton goods. In consequence of this low rate of production our average share in the total of the world's cotton production has declined from a pre-war average of about 62 per cent to recently around 54 per cent.

And, on the other hand, Europe's share in the total mill consumption of cotton has likewise declined; that is, we have absorbed about one-third more of our own cotton product at home, and other countries outside of Europe, India and Japan especially, have increased their share of mill takings from 18 to 28 per cent.

As a combined result, out exports of cotton to Europe in the last three completed crop years, have been about one-third less than the last three years before the War. But this appears to have been due as much to the small cotton crops and high cotton prices, and to increased competition by this country and other countries with Europe, as to any other cause. Europe's exports of manufactured cotton have fallen off, while the cotton manufacture of the United States, Japan and India has sharply increased. And the world's cotton crop has averaged, in the last ~~three~~ four completed years (not including the current crop year) about 10 per cent higher than the ~~three~~ four or five full years before the War.

We have then, in sum, about this situation: our exports of wheat and wheat flour and pork products are very much heavier than pre-war, and the total European consumption of these products (outside of Russia) appears to have been slightly below pre-war levels.

On the other hand, imports of meat products into Europe have very heavily increased, while cotton imports have very seriously decreased.

Misc. 3, 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 14, 1927 192

TO Dr. Burgess

SUBJECT: European Consumption Estimates--4

FROM Miss Bagwell

And shipping in the eight principal European shipping countries, and therefore, presumably, the total foreign trade, appears to be considerably higher now than before the War, and very markedly higher than five years ago; and this is especially true of the four Central European countries named.

This investigation has consumed a great deal of time because it seemed difficult to obtain the data easily and much of it had to be dug out from separate sources of information. It is not nearly as satisfactory as we could wish, but it has been very carefully done and we think represents substantially the facts of the case.

Misc. 3. 1-50M-8-25

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE February 18, 1927 192

TO Governor Strong

SUBJECT: McNary-Haugen Bill

FROM Mr. Snyder

010

As the McNary-Haugen Bill neared its passage I have been thinking about it a little, and with a feeling that possibly, under favoring circumstances, the scheme could have a fair measure of success. But I fear that the proposed set-up, of an unwieldy board of twelve members, nominated by conventions of cooperative associations, etc., would prove fatal. I was wondering a little if one way out might not be if the President could make his veto on the ground of the kind of organization proposed.

Would not such a board of twelve men, probably not unattracted by the salary, almost inevitably foredoom it to failure?

But if the direction of the whole plan could be in the hands of one man, or, say, three men, all just the right type, I am not sure that it might not achieve some interesting results. I have watched with a good deal of interest the workings of the Stevenson Committee on rubber, the Brazilian valorization of coffee, and the controlling of sugar grinding in Cuba, and while without doubt the winds of fortune have favored each of these, it is always true that the skillful mariner may do fairly well even when the winds are not so favoring.

At least it seems as though there might be a fair chance as to cotton, corn and hogs. It looks as if wheat would be hopeless without the cooperation of Canada, and perhaps Australia. Rice, I know nothing about.

But if there could be a reasonable control of expectations, would not the problem be nearly half solved? It was clearly 30-cent cotton and low-priced corn that wrecked the South and made it plant 17 million more acres of cotton in 1926 than in 1921. I suppose there would be a wild outcry at the thought of limiting the price of any particular commodity, or keeping it near to some given figure; but probably that would be the only possible means of keeping down too high expectations and preventing overproduction.

I wish the President could have been advised to center his efforts on getting the measure into a more workable and practical form. The country would certainly go with him on that.

Possibly the political side would wreck the whole scheme anyway. But you will remember that there was a good deal of that feeling about the original Federal Reserve Act, and if the present scheme could have the same kindly fate that the other had, to come, as I see it, under the aegis of a genius, it might likewise disappoint expectations.

I do not know if these are matters that interest you, but I am sending it along.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 25, 1927.

TO Governor Strong

SUBJECT:

FROM W. R. Burgess

A careful review of Mr. Warburg's draft makes me think it is most effective with very few changes. I have indicated one or two modifications which I think will strengthen it, the reasons for which I think will be obvious to you. There are a number of other spots where the expression is a little more exaggerated than you or I would naturally use, but they all go with the general effect and tone, which are remarkably good.

WRB:R
att.

The men, who under the leadership of John T. Pratt, formed and constituted the National Budget Committee, desire to record their deep sorrow at his untimely death.

In 1919, when the Committee was organized, the number of those who were able to envisage the impelling necessity ~~of~~ for the adoption of a budget system by our country was pitifully small; but the ~~and of all the citizens of the United States~~, there was only one citizen who coupled ~~with~~ a full vision of the great object to be achieved, with the courage and unselfishness to give his entire self to the accomplishment of an end, which then appeared ~~so~~ far beyond the reach of actual attainment.

During the years of the operation of the Committee, Mr. Pratt gave his ~~time~~ thought and his energies without reserve. There were times when he carried on the Committee's work almost singlehandedly, and when it was only his moral and material support that enabled the Committee to keep its flag flying. It is due in no small degree to the untiring efforts and never failing idealism of Mr. Pratt that the United States today enjoy the ~~vast~~ immeasurable benefits of an orderly system of budgeting, and for this the country owes him a deep debt of gratitude.

It must be a consoling thought to those near and dear to him that their grief is shared by his friends and admirers all over the United States.

Mr. Pratt's old associates of the National Budget Committee desire to express to his family their heartfelt sympathy; they will always cherish the memory of their loyal friend and inspiring leader.

July 7, 1927.

To Governor Strong
From W. R. Burgess

The resolution wording and the form of engrossing have been agreed to by Messrs. Leffingwell and Warburg. Colonel Stimson is out of town. Ames & Rollinson is now going ahead with the work.

W. R. B.

Hold in BS Personal Files
under J. T. Pratt

30M 9 26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE December 14, 1927.

TO Governor Strong

FROM W. R. Burgess

SUBJECT: Article referred to in Governor Norman's letter of November 15, 1927.

I have given a good deal of thought to this and have discussed it with Mr. McGarrah. Neither he nor I sees anything which can be done about it at the moment. Some day the opportunity may come.

WRB:R
att.

Strong
Burgess

FEDERAL RESERVE BANK
OF NEW YORK

PERSONAL AND CONFIDENTIAL

June 8, 1928.

Dear Governor:

I have wished a good many times since my return that there were a chance for a talk with you, both about the experiences abroad and the developments here. You have probably heard by now the first half of this story pretty completely from Walter Stewart. I had hoped on the trip home to get further along with the gold exchange standard report, but found it took most of the trip to write a speech for the New Jersey Bankers Association, which had to be thrown away because it was too acid for our people here. Since then we have been pretty completely absorbed by the current credit situation, though our people are working ahead on the gold exchange report and I have sent Stewart an introduction, copy of which I am attaching herewith. (Have attached the copy referred to & put in the "League of Nations - Gold Exchange Standard" folder) OLM

I have a feeling now, for the first time, that we are beginning to get on top of the credit situation, though it is clearly a different kind of thing than anything I have experienced since coming with the bank. When we look back at 1923, 1925 and 1926 and realize how little was necessary to deal with those situations it becomes clear just how different the present picture is.

The new feature of the situation is that the loans and investments of the member banks are beginning to decline. Since the first of May the New York City banks have liquidated $80,000,000, mostly call loans, and there is evidence of some real pressure that is shown by 5 3/4 to 6 per cent. time money and some 6 1/2 and 7 per cent call money. The very high call money rates, however, are stimulating the usual economic flare-backs in the form partly of some flow of foreign funds to this market, some flow from other districts, but more particularly a shift of corporation funds from bank deposits to street loans. Loans by "all others" have increased nearly $400,000,000 since the first of May.

The net result of this - plus gold exports - has been that the New York banks have lost $175,000,000 of deposits during May and have met this partly by reducing their own loans and partly by increasing their borrowings with us. But meantime brokers loans have continued to increase with the exception of two weeks. The psychology, I think, has changed, perhaps as a result of a feeling of pressure by the banks. As you will observe stock prices have broken badly on a number of days, although they are not down far.

We discussed all this very thoroughly at Officers Council and Directors' meetings yesterday, and Sprague and I had a considerable session in Washington early in the week with some of the Board people and some of the governors who were attending the Chamber of Commerce meeting on the Federal Reserve System. It was clear to me, very shortly after I landed and particularly after the Open Market meeting, about which Mr. Case has, I think, told you, that the outside banks were disinclined to take the leadership in raising rates, partly because there have been many reactions from business, and partly because of an evident feeling that it was up to us to lead on such a move regardless of the technical economics of the situation. The feeling is now strong in the Board, and I think, in many of the banks, that we should deal with the situation in other ways than by rates, if possible, and the discussion at our meeting yesterday tended in the same direction. With so large a volume of member bank indebtedness in New York, averaging about $250,000,000, borrowing has become more continuous.

My reasons for optimism about the situation are,

First, that we understand the situation better and are think + hope prepared to act vigorously,

Second, that the banks are feeling the pressure, and

Third, that the public atmosphere appears to be changing.

This whole experience leads me to wonder whether, as a long run policy, we should not consider working toward a position where our open market holdings are larger, our discounts are much smaller, and our discount rate relatively higher, if that can be done, and I am inclined to think it could if the discounts were small enough.

The Chamber of Commerce meeting affords no cause for concern. There were about one hundred there, including a dozen Federal reserve people, a number of economists, and a fairly good representation of bankers and business men. The report presented at the meeting was good on the whole, although there were some undesirable recommendations. The worst of the recommendations were killed in the meeting, so that the final resolutions are tame and involve so little change that the report may die in the Chamber Board.

I had a fine visit with Sprague and brought him back to New York for a day, partly to work on our economic survey problems, but mostly to talk over our own problems with him. We had an interesting lunch with him and Messrs. Case, McGarrah and Snyder.

I think the new bank organization is working well and happily and need not worry you.

I should like to be listening in on some of your discussions, for the struggles over here have not yet obliterated the vividness of the European problems.

I am appalled by the suggestions of delay in stabilization of France which have been appearing in the press. A continuance of the artificiality of international money markets under dominance of the French position would certainly create puzzling problems. I am hoping this is newspaper talk.

I seem to detect in your messages that you are continuing to feel better, which I devoutly hope.

Sincerely yours,

W Randolph Burgess

Mr. Benj. Strong,
c/o Morgan & Co.,
Paris, France.

FEDERAL RESERVE BANK

OF NEW YORK

June 15, 1928.

Dear Governor:

Today's advance made it clear that the liquidation is continuing, but all the reports indicate that it is doing so in orderly fashion. There are no rumors yet of failures of stock exchange houses, etc., although our friend who has been buying up banks in Jersey is getting squeezed and today had to sell one of his banks to the directors. A number of his compatriots are reported to be in trouble, - all of which will be wholesome.

The principal feature that appears to need watching at present is some congestion in the bond market and some slackening off in new issues.

I think the party is over, but do not believe we can afford to let up too quickly or there will be trouble again. On the other hand, we have got to be ready to move promptly in the other direction when the time comes.

We got through the tax day with 5 1/2 per cent money, but it might go lower on Monday or Tuesday. By Wednesday the market will be tight again.

All goes well here.

Sincerely yours,

W Randolph Burgess

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

WRB:R
enc.

FEDERAL RESERVE BANK

OF NEW YORK

CONFIDENTIAL

June 26, 1928.

Dear Governor Strong:

There is just time before the mails close to acknowledge and thank you for your most interesting letter of June 13. I am particularly glad to get your point of view and to know that we are so closely in agreement, as you will have gathered by my previous letter which crossed yours.

I have just been reviewing the figures in preparing a leading article for our Monthly Review. The liquidation of credit, which has been principally reflected in a decline of 300 million dollars in brokers loans, has been confined almost wholly to New York. The total loans and investments of the New York City banks are off about 200 million dollars since May 2 and their deposits are off 400 million dollars. Outside of New York City there has been no reduction in the total volume of credit. The banking figures, moreover, do not tell the whole story because increases in loans to brokers for the account of others partly compensated for the decline in bank credit during May. Thus the liquidation has not yet gone very far, though I hope that this week's figures will show a continuation. Under these conditions we run the same danger as last February in relieving the pressure too soon. I quite agree,however, that we must be very alert, particularly in view of the change in the international movement of funds which is following the French stabilization. So far the domestic price and business situation does not appear to have been unfavorably affected by high money rates although, as you say, there is a considerable lag which must be provided for.

There does seem to be confusion in Rist's letter. What actually occurred was that we earmarked 50 million of gold and shortly thereafter they increased their free balances with the commercial banks, not with us. They advised us at the same time of the possibility of taking 30 million dollars more of gold as a maximum, but as yet we have heard nothing further as to that. I am interested and pleased to see that the French stabilization program follows so closely the proposals which Quesnay had in mind at the time I last discussed the matter with him, and particularly that the reserve percentage is 35 per cent and not 40. I am glad to note that here again our counsel was in the same direction. Miss Holmes is sending along a bunch of clippings about the French stabilization, which may interest you.

I am grateful for your kind words about my trip. I enjoyed every minute of it and it gave me just the psychological kick that I needed.

I am glad you are feeling better.

Sincerely yours,

W. Randolph Burgess

Mr. Benj. Strong,
c/o Morgan & Company,
Paris, France.

WRB:R

FEDERAL RESERVE BANK
OF NEW YORK

July 6, 1928.

Dear Governor Strong:

The situation certainly changes fast. A few minutes after I wrote you last week the stock market began boiling again and this week's brokers' loan figures show an increase of 140 million dollars. The question is now whether the pools will be able to get the public in again. I do not think they can but they may be able to make more trouble for us.

The 10 per cent money on Monday reflected the end-of-the-month window dressing piled on top of heavy borrowing. In the confusion the banks overborrowed heavily on Monday and on Tuesday found themselves with large reserves with which they partly paid us off, but the drop in money rates Tuesday was primarily due to the fact that their checks put on the street on Tuesday were not collected until Thursday so they got a day's free interest. The present 5 1/2 per cent money, I think, will prove temporary.

I am preparing a memorandum for our directors next Thursday, looking forward to a meeting of the open market committee on July 18. The situation is still very puzzling and I am anxious to talk it over with Harrison when I see him before many hours.

Sincerely yours,

W. Randolph Burgess

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

[Referred to in Burgess' letter to Strong July 6, 1928]

July 12, 1928.

A little less than a year ago, or on August 4, 1927, our discount rate was reduced to 3 1/2% with a view of stimulating the European exchanges, thus making it possible for Europe to buy our agricultural products as they came to market. Accompanying that easier money program, which was effective in stimulating the exchanges and in bringing about lower rates in the money market, considerable stimulation occurred in the stock exchange security markets and in bond trading. Coincident with our low rate policy, Europe and South America have since taken approximately $500,000,000 of our gold. This probably has gone abroad to stay so that the American credit base has been definitely and permanently contracted by that amount.

Following a continued expansion in credit this year, the System in January began selling Government securities and has since reduced its portfolio from a peak of $423,000,000 to $75,000,000. On February 2, 1928, and again on May 17, 1928, the Federal Reserve Bank of New York increased its discount rate from 3 1/2% to 4% and from 4% to 4 1/2% respectively. The combination of the loss of gold, the sales of securities and the marking up of our discount rates has naturally had the effect of materially increasing rates in the money market. Time money is now quoted at 6%, call money 6% to 8%, commercial paper about 5% to 5 1/4%, bills approximately 4 1/4%, short-term Governments about 4 1/4%, while long-term bonds have sold off with corresponding increases in the yield. Meanwhile, member banks' indebtedness to the System has been steadily increasing and now ranges between $1,000,000,000 and $1,100,000,000. Under present conditions there does not appear to be much chance of liquidating this indebtedness in the near future.

As the result of firmer rates for money in the market, the foreign exchanges are now again somewhat depressed and unless fairly strong measures are adopted now, it seems not unlikely that as the crop moving season approaches this autumn, agriculture may again be confronted with depressed exchanges plus high money rates. Under these circumstances it seems desirable that prompt consideration be given to raising our discount rate. In this connection, consideration has been given to recommendation of a raise of 1/2% and 1% respectively. The great preponderance of opinion among the officers is the belief that a 1/2% increase at this time will prove effective. It is believed that such an increase will result in considerable liquidation, permitting of gradual retirement of some part of member banks' indebtedness.

Having in view the fact that there probably will be the usual seasonal demand for additional credit this autumn, it seems not unlikely that the rate increase if made today will so set the stage as to make it possible for us to go into the market during the autumn and again build up our portfolio of Government securities. This program would enable the market to meet the autumn demand for money without forcing our banks to obtain it by increasing their indebtedness to the Federal Reserve Bank.

r 8

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FEDERAL RESERVE BANK

OF NEW YORK

July 13, 1928.

Dear Governor:

You may be interested in the attached memorandum which our directors had before them at their meeting yesterday, and a most interesting meeting it was, with a fine discussion. Owen Young really carried the day and there was only one negative vote.

This ought to put a nail in the coffin, although stocks are moderately strong today. It seems to be possible that there may not be a further heavy liquidation. It is somewhat a problem of the intrinsic value of the common stocks today and there are arguments on both sides of the question. But even a few weeks of quiet ought to pave the way for the kind of program we have in mind.

We started the weekly cable service with the Bank of France yesterday.

Sincerely yours,

W Randolph Burgess

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

WRB:R
encs.

NOTE: I sent the memorandum which was attached to Dr. Stewart, through Mr. Siepmann. - B.S.

MISC.

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 21, 1921.

TO Mr. Burgess

SUBJECT: MEMORANDUM OF INFORMATION REQUIRED.

FROM Benj. Strong

1. Comparison of the rates of discount of this Bank and the rates of discount of the Bank of England, Bank of France, Reichsbank and the Bank of Japan, from January 1, 1920 to the present time. If anything can be obtained as to rates charged for commercial accommodation by commercial banks in those countries, it will be of value.

2. A copy of the paragraph in my letter/to Mr. Jay, written from Arizona, in which I opposed the amendment to the Federal Reserve Act authorizing the progressive rate; and any correspondence which he, or others at the Bank, had with the Federal Reserve Board indicating opposition to the amendment.

or telegram

3. A statement of market rates for money since January 1, 1920, by periods, charted if convenient. This should show acceptance rates, certificates of indebtedness rates, stock exchange call loan rates, stock exchange time loan rates, and commercial paper rates.

refer to annual report ~~circular~~

4. Any written evidence in our Minute Book, or correspondence, indicating our policy in the matter of rate and credit control in New York during the past eighteen months. This should include copies of all minutes bearing on this subject during the period, either directors' or executive committee.

5. A statement, by periods, for these eighteen months, showing the amount of our loans and investments, classified and in total.

6. A statement of the number of examinations of national and State banks required by Federal and State Laws of the three states embraced in our district; the number required by the Clearing House; and the number required to be made by directors.

7. A statement by Mr. Case of how we dealt with New York City Banks which were large borrowers during this period of eighteen months.

8. Some one will need to go back through the directors' minutes, the executive committee minutes, and the files of the Bank, from the date of organization down to the

Received

Mr. Schmidt

Roberts

Received

Burgess

Received

Matteson

Received

Bellah

MISC [illegible]

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 21, 1921.

TO

SUBJECT:

FROM Benj. Strong

point where the Comptroller agreed to give us the reports of examinations, to get all of the data, correspondence, etc., with the Comptroller of the Currency, with the Federal Reserve Board, with the Secretary or Assistant Secretary of the Treasury, and any personal correspondence of Mr. Jay's or mine on this subject, which will indicate the difficulty which we experienced in getting this data. Some of the letters are probably addressed personally to Mr. Warburg; others may be addressed to Governor Harding or to Governor Hamlin. Correspondence with Mr. Starreck, who was then national bank examiner in this district, should also be examined. Letters both to and from the parties named should be looked at.

9. A description of the work of the Member Bank Relations Department; the number of visits made to member banks during this period; the kind of advice that has been given them about credit conditions; the number of meetings of country bankers held at our Bank and how well they were attended; and the general character of the discussions in regard to credit conditions and policies at these meetings.

Mrs Bleecker +
Miss Beyers
Miss Parkers
Mrs Holmes

10. As complete extracts as possible from the Federal Reserve Bulletin, from our Monthly Review, from any addresses made by the Officers of the Bank, and from our correspondence (both Mr. Jay's and my personal correspondence and the correspondence of the Bank) with the Federal Reserve Board and its members, and with the officers of the Treasury Department, to indicate our policy during this period (and going back into the year 1919) cautioning banks against speculation and expansion; against promoting unsound enterprises; and, in the recent period, after liquidation took place, the similar data indicating that our attitude was then to urge the banks to take care of their customers and not to force liquidation. These might include reference to the address that I made at the country bankers meeting early this year at the Downtown Association; the extracts from the Conference of Governors held in April; and a general statement

Rate + Discount Policies

addresses & Mr Harding

MISC. ...M-9-20

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 21, 1921

TO

SUBJECT:

FROM Benj. Strong

by Mr. Case, and any other officers, as to the attitude which they had assumed toward the member banks in the city. It should be brought out that some months ago we were responsible for starting the movement for buying commercial paper. It should also be indicated that we have never taken steps to bring about absolute credit restriction, except as to stock exchange speculation, and the details of our policy in that regard need not be written out, but I want complete figures of the stock exchange loan account as reported by the member banks, and of the stock exchange loan account as reported by the members of the stock exchange, covering the past eighteen months. This should show also the amount of out-of-town money loaned on the exchange, and the amount of New York money loaned on the exchange, and should give a chart or table of the rates during the period.

Bellach

11. A statement from Mr. Stanley of the Guaranty Trust Company (to be obtained confidentially) of the volume of purchases of grain and cotton export bills, and similar export bills, during the period of their heaviest borrowing from us.

12. A complete record of officers' salaries, from the organization of the Bank down to the present time, not in too great detail and elaboration, but so as to show how the increases have developed with the increases in the force. (Refer to Mr. Williams' speech in which he mentions the increase from $96,000 in 1916 to $400,000 in 1919-1920.) The growth of the force should be shown, and especially the growth in the volume of business, and the amount which was for account of the Treasury.

13. A record of payroll increases; of bonus payments; of our action in regard to bonuses; of the cause of the increase of $778,000 in payroll at the beginning of 1920; of our analysis of the cost of living; of the distress of certain of our clerks and the study that we made of living conditions for the clerks; of our relative salary levels with that of other banks; the changes in salary per capita and amount per capita, and other detail to

MIS[illegible] M-9-20

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 21, 1921.

TO

SUBJECT:

FROM Benj. Strong

show that our clerks are not overpaid and that the Bank is not overmanned. Refer to the necessity for taking over the Liberty Loan Organization and Subtreasury force; to the increase in the volume of business as contrasted with the comparatively stationary number of employes; and other pertinent factors that justify our salary policy. Include in this the argument sent to the Federal Reserve Board to justify the salary increase in 1920 and the system of bonus payments, with the figures Mr. Jay had giving comparisons of our salaries with those in the leading New York banks; also a comparison of our salaries with those of other Reserve Banks.

14. A statement of the cost of our real estate per square foot; cost of bank building proper, exclusive of vaults and other items not absolutely building; reduce the cost to the cubic foot basis; add a copy of Mr. Sailer's statement of the needs of the Bank, which was submitted to the Reserve Board when we applied for authority to go ahead with the building; get from Mr. Trowbridge description (brief) of the cafeteria provision, of the recreation division, of the assembly room, of the vault test, of the probable cost of the vault by old methods of construction and the cost of our proposed vault, and the saving due to using the ~~xxxxxx~~ foundation wall and the saving due to the vault test; include a statement of the number of buildings we have occupied, including the warehouse in Brooklyn, Liberty Street, 43d Street, and the other buildings, the amount of space we occupy in this building and the number of floors; the rental per square foot; the options; a comparison of the option rate that we secured on our leases and the rate at which similar space has been rented by the Equitable Building; a statement of overcrowding in the various departments; of the number of cases of tuberculosis in the force; of the number of people calling at the Bond Department every day; of the crush (estimating the number of people) that occurred during bond conversions, when, as I recall, 55,000 people entered the building for that purpose; a statement of the date the police notified us of the plot to blow up the Bank; of the

MISC. 30M-9-20

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 21, 1921

TO

SUBJECT:

FROM Benj. Strong

date of the Wall Street explosion, and generally of the way in which our securities are scattered in different vaults as far uptown as 44th Street; the total amount of securities and cash which we hold; the vaule of securities and cash which must be taken out and put back every day; the number of men in the protection force and the way they are trained; the cost of operating the cafeteria; the cost to the clerks per luncheon served; the scheme of service in the new building. All of this must be expressed in the briefest possible form, simply the facts without elaboration.

15. The date of Mr. Trowbridge's employment; of Mr. Hopf's; the date when the architects' competition was held; the date when the engineers were employed; the date when Eidlitz was employed; the date of the preliminary foundation examination by the Foundation Company; the date when the first purchase of real estate was made.

16. A statement of our traveling expense account; what it costs per diem, exclusive of railroad fare, and how much of it is Member Bank Relations Department; a statement of my own expense account, and of what it consists (for the last five years; probably only railroad fare covering trips to Washington); a complete analysis of the expense account of the bank, showing its growth from the beginning, with a description of the methods of controlling expenses and enforcing economy, with the forms of vouchers, etc., used; the system of competitive bidding; the caution which has been given regarding the expenses of the bank; the steps we are taking to further reduce expenses; and a separation of the items between those which are controllable and those which cannot be controlled, such, for instance, as Federal Reserve Board assessments, cost of note issues, etc.

Harrison

17. A statement, with chart if possible, showing the fluctuations in our loans, deposits, notes and reserve accounts for the last eighteen months; an analysis of our loans to and from other Reserve Banks, with suitable explanation of our method

Bellah

and policy in purchasing bills for other Reserve Banks.

18. A special statement wanted by Senator Simmons, the details of which are to be obtained from Mr. Eddy. This should be prepared very promptly.

19. A statement of the fluctuations in the deposits and loans, investments, and/ borrowin etc., by periods, of the New York city member banks (better take only Manhattan and give the banks by letter or number) during the period of eighteen months. This should be so prepared that it will show the heavy pull on the New York banks caused by withdrawals of deposits to the interior and by demands upon New York banks for accommodations from the interior. We have some data in the Bank, prepared by Mr. Jay, for Governor Harding, showing how the New York banks have increased their loans to out-of-town banks, firms, etc., during the period of strain. Any data that we can us, already in the Bank, may be later supplemented, if need be, by a suitable questionnaire to be sent to the important banks, but this should not be sent, however, until later.

Burgess - Bellah - Keyes

This memorandum is prepared in five copies, for Messrs. Case, Kenzel, Oakey and Burgess, who are asked to take charge of getting out the material, with any assistance that they need, and doing so just as promptly as possible. Will each read the memorandum, make notes of suggestions that he can offer, and let me have them by telephone or telegraph in Washington tomorrow.

BS.MSB

gold movements in & out of NY

out of town loans

5 copies

Rate of Discount + reserve %
movement of funds
Discounts + Loans

Bank loans + Prices

20 banks
rep. from each one

FEDERAL RESERVE BANK

OF NEW YORK

September 23, 1921.

Dear Doctor Burgess:

I have just finished reading the report which accompanied your memorandum of September 22 relating to unemployment. It is exactly what I wanted, and I cannot refrain from saying it is such an admirable report that I am sure it will be of great value to the members of the conference.

One point on which I should like to have some information, is the basis of statistics on unemployment issued by the Department of Labor, and the basis of the comparison which they make with former years. Speaking from memory I recall that they recently estimated that 5,600,000 men had been released from industrial employment. I have heard that these figures are arrived at by taking some 1,700 industrial establishments and then applying some system of averages to the total of industrial employes in the country and comparing them with the peak of employment during the war. I should like to get this in more detail, as well as have a critical examination of the basis of these figures made and see whether they are not, in fact, misleading, as I believe they are.

Any further material you get I should greatly appreciate having as soon as it can conveniently be sent.

Many thanks for your help.

Very truly yours,

Benj. Strong

Dr. W. R. Burgess,
C/o Federal Reserve Bank,
15 Nassau Street, New York

BS/RAH

September 23, 1921.

Dear Doctor Burgess:

I have just finished reading the report which accompanied your memorandum of September 22 relating to unemployment. It is exactly what I wanted, and I cannot refrain from saying it is such an admirable report that I am sure it will be of great value to the members of the conference.

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Any further material you get I should greatly appreciate having as soon as it can conveniently be sent.

Many thanks for your help.

Very truly yours,

Dr. W. R. Burgess,
C/o Federal Reserve Bank,
15 Nassau Street, New York

BS/RAH

file - noted
WRB
775

FEDERAL RESERVE BANK

OF NEW YORK

September 28, 1921.

Dear Doctor Burgess:

Thank you for your note of the 26 containing further information in regard to the figures of the Department of Labor. I have suspected the figures of being inaccurate, and feel very sure that they are, and sincerely hope that the conference on unemployment will clearly disclose that fact.

Very truly yours,

Benj. Strong

Dr. W. R. Burgess,
Statistics Department,
Federal Reserve Bank,
15 Nassau Street, New York.

OF NEW YORK

OFFICE CORRESPONDENCE

DATE Feb. 14, 1922 192

TO Dr. Burgess

SUBJECT:

FROM Governor Strong

Colonel Ferguson was my host in Washington and treated me most delightfully when I was last there. I would like if possible to get him the studies to which the attached letter refers, and change the letter so as to indicate that we are sending him them, or at least point out in detail where they can be obtained.

The statements contained in my address, which came I think from Mr. Snyder, indicate that efforts at price control completely failed in the desired result.

BS.MM

att.

MISC. 60M-4-22

FEDERAL RESERVE BANK
OF NEW YORK

[Aug 31, 1923?]

OFFICE CORRESPONDENCE

DATE ____________ 192__

TO Dr. Burgess.

SUBJECT:

FROM

Many thanks for the enclosed. How absurd Andersons (and Willis' & our own F.R. Board) figures must have been compared to the realities. It's the same habit of mind that estimates fortunes & incomes in this Country at [illegible] propor- also one of the penalties of our active imagination. But it is what made old U.S. a bonanza. — & we must not complain!

As to Snyders letter — I fear he has made too much of my point; which is this. If present reserve laws induce a shift of demand to time deposits, how

MISC. 50M-4-22

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE 192

TO

SUBJECT:

FROM

much "reserve" is being released by the process in a given period, say 2 or 3 years. Allow for "regular" growth in both time & demand dep's. Take the "released" reserves & calculate how much loans & deposits they would support!

Then put the dope in the hands of the F. R. Board, thru' Gov. Jay, & ask what they are going to do about it!

B. S.

(Please hold for Mr. Burgess)

MISC. 4. 1-100M-9-23

FEDERAL RESERVE BANK
OF NEW YORK

Winston

OFFICE CORRESPONDENCE

DATE Aug. 25, 1924 192

TO Mr. Burgess

SUBJECT:

FROM Governor Strong

Attached is a very confidential memorandum which was prepared by [in Memo fall

Mr. Winston somewhat in a spirit of irony, which you might be interested in reading; also Mr. Snyder.

Please see that it is returned to me without fail as Mr. Winston does not want it to leak.

BS.MM

att.

I had read it.
BS.

Noted with much interest
W.R.B.

J.S.

Ho.

[La Follette Progress

Noted
WRB
CMB
B. S.

FEDERAL RESERVE BANK

OF NEW YORK

Spa, Belgium,
July 21, 1925.

Dear Dr. Burgess:

Now that mail is coming regularly, I am getting your reports, which are very interesting, but which I shall not acknowledge separately, because my other letters to the officers of the bank will cover everything I have in mind. I just want to let you know that they are appreciated.

Very truly yours,

Dr. W. R. Burgess,
Assistant Federal Reserve Agent,
Federal Reserve Bank of New York,
33 Liberty Street, New York.

Strong / ans on 14 WRB

FEDERAL RESERVE BANK
OF NEW YORK

Biarritz, France,
August 1, 1925.

My dear Dr. Burgess:

I was very glad to have the report on the stock market situation, but, unfortunately, it came after my cable No. 4 was sent, caused, I presume, by the usual delay in the mails.

I am writing Mr. Case about the rate matter (as Mr. Jay will be away). And I am also writing you a separate letter about the newspaper men, so that you may show my letter to them if you think it wise to do so.

With best regards to all at the office,

Sincerely yours,

Benj. Strong

Dr. W. R. Burgess,
Assistant Federal Reserve Agent,
Federal Reserve Bank of New York,
33 Liberty Street, New York.

Enc.

MISC. 4. 1-200M-1-24

FEDERAL RESERVE BANK
OF NEW YORK

ack
MB
6/15/25

OFFICE CORRESPONDENCE

DATE June 13, 1925 192

TO Dr. Burgess

SUBJECT:

FROM Miss Bleecker

Will you please be good enough to let me have a list of such reports as Governor Strong would find it useful to have sent to him while abroad this summer. It is desirable to keep the number down to those which will be of real value, and yet have them comprehensive enough to keep the Governor in touch with the situation and conditions here.

FEDERAL RESERVE BANK

OF NEW YORK

ans ary 14 w R B

Calls

Strong

Biarritz, France,
August 1, 1925.

My dear Dr. Burgess:

7/10/25

Thank you for sending me a copy of Mr. Wasson's letter, and of your reply. 7/14/25

Possibly it was a mistake for me to leave without taking them into my confidence, but you and they must remember that there are considerations on the other side of this question.

Had the news been spread abroad of my sailing, I would have been met on this side with endless importunities from representatives of the press to explain the object of my visit; and undoubtedly would have been beseiged by all sorts of people to do all sorts of things which I could not do, or would not want to do. I have been through the same thing before many times and the embarrassments resulting from such trips when they are heralded in advance are much greater possibly than representatives of the newspapers understand themselves. Besides that, it might have given some official character to a trip which was largely for pleasure And that might have made it necessary for me to accept no end of invitations which I did not want to accept, and which would very much have reduced the pleasure of the trip for both my daughter and for me.

Mr. Wasson, I believe, is misinformed in regard to Mr. Morrow and Mr. Leffingwell. Neither of them intended to make any statement, and when I saw them on the boat the night we left, I found that they had been discovered by the representative of the Wall Street Journal. And it is my impression that neither of them had given any statement prior to sailing, although I did not ask them definitely.

I am sorry to have Mr. Wasson take the position that the newspapers have an inherent right to information of this sort. Surely one has the privilege now and then of going to Europe for a holiday without telling the newspaper men about it, and even to come over here for informal visits with some bankers. I think they attach altogether too much importance to the whole affair. I do at times resent the urgency and the importunity with which members of the press make demands, as distinguished from requests. Surely they would resent very strongly any urgency or insistance on our part in the publication of material which they do not want to publish; and why should we not resent their urgency and insistance upon publishing stuff which we do not want published?

Mr. Wasson is right when he says that I dislike publicity, but it is not a matter of personal like or dislike. It is really a question of what is best for the bank.

It may be that I shall give the boys a statement on my return, and I would appreciate any suggestions that you or they may have to make about it, - whether it should be given to the men on the steamer, or to the Wall Street men.

Please write me when you have a chance.

Sincerely yours,

Benj: Strong

Dr. W. R. Burgess,
Assistant Federal Reserve Agent,
Federal Reserve Bank of New York,
33 Liberty Street, New York City.

FEDERAL RESERVE BANK

OF NEW YORK

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

Dear Dr. Burgess:

Many thanks for your memorandum of the seventh and the papers which accompanied it. I have not had a chance as yet to study them fully, but will do so and shall probably write something to Winston in the course of a few days.

It is much more important to get a debt settlement which will leave room for monetary reconstruction over here than it is to collect more money and prevent monetary reconstruction.

We get a little evidence in the clippings of the publicity work that you refer to, and my only word of caution is not to become involved in anything that savors of propaganda. Of course I know you will have that in mind.

With the banks borrowing from $100,000,000 to $150,000,000 as early as the middle of August, it looks as though the fall demand will be considerable. But I rather agree that the rates are not likely to get objectionably high. If they do, we must buy some more securities.

The reports I get are most illuminating, and help to keep me up to date, and to avoid the vacuum which otherwise must be filled on return.

Best regards.

Sincerely yours,

Benj. Strong

Dr. W. R. Burgess,
Assistant Federal Reserve Agent,
Federal Reserve Bank of New York,
33 Liberty Street, New York.

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

Dear Dr. Burgess:

I am grateful to you for your report of July 31.

The attitude we took with Senor Pedro Merla was absolutely correct. We certainly cannot make a banking arrangement with a hypothetical bank of issue, which hasn't yet got a charter, or officers, or anybody to make contracts.

Of course I am sorry about the publicity regarding my trip. It could not be avoided, but if the newspaper men bother you about it, you can tell them that by observing some caution I have been spared the necessity of doing many things which I would not want to do, and of declining to do things which would be embarrassing to decline. Any advance notice over here of my arrival would have kept me pretty busy. Fortunately, skipping from one place to another, and going to some resorts as well as to the capitals, as well as staying in Paris in a hotel which is quite unfashionable, has spared me a good deal.

I wish that I could be more sympathetic about all the agitation regarding the Federal Reserve System and recharter. It would suit me perfectly to have the whole thing left alone for a while for a good sound sleep. We can talk it over on my return.

If the American Economic Association meeting must be a Federal Reserve party, as seems the case, I should think Carter Glass would be an excellent man to make a talk, although you may have difficulty in getting him.

We have got to be a bit cautious about that stock market this fall. If business looks up at home, following good crops, and these funding arrangements are concluded, and then some important countries over here undertake monetary reform, as is not impossible, we might have another burst of enthusiasm at home, and we would then have to do something about it. But I guess it will keep until I am back and we have a chance to talk it all over.

I have read all of the reports with much interest.

There has been a good deal of emphasis laid upon the moderate amount of commercial borrowings as distinguished from borrowings on securities. It seems to me the explanation is simple enough. We have had a great period of refunding and capital raising. Transportation, utility and industrial corporations have raised capital and paid off bank loans, and actually had money to loan. The result is lower borrowings, heavy flotations of securities, and more security borrowings. I believe that this explanation lies at the root of the whole thing.

Sincerely yours,

Dr. W. R. Burgess,
Assistant Federal Reserve Agent,
Federal Reserve Bank of New York,
33 Liberty Street, New York.

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

Dear Dr. Burgess:

Thank you for your letter of the fourteenth.

I will be guided by your views about a statement and try to duck the men on the steamer.

Won't you read my letter to Mr. Case about the rate situation, as it partly answers yours.

I shall do the best I can to give you all a report when I get back which I think will make our decision as to the policy of the next few months easier than it can be until I do return.

Sincerely yours,

W. R. Burgess, Esq.,
Assistant Federal Reserve Agent,
Federal Reserve Bank of New York,
33 Liberty Street, New York.

MISC. 4. 1-200M-7-24

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 30, 1925

TO Governor Strong

SUBJECT:

FROM W. R. Burgess

The newspaper men are very anxious to see Dr. Schacht, and after our understanding with them that there would be an opportunity it would be too bad if anything slipped up so that they missed the chance. Is it possible to make any definite appointment now?

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 20, 192

TO Governor Strong SUBJECT:

FROM W. R. Burgess

The newspaper men are very anxious to see Dr. Schacht, and after our understanding with them that there would be an opportunity it would be too bad if anything slipped up so that they missed the chance. Is it possible to make any definite appointment now?

Form No. 131.

Office Correspondence

FEDERAL RESERVE
BOARD

Date November 2, 1925

To Dr. Burgess

Subject:

From Benj. Strong

2—8495

W.R.B.

NOV 3 1925

Received

Your memorandum of October 30, in regard to Dr. Schacht giving an interview to the members of the press, reaches me here in Washington. As I think you are advised, Dr. Schacht will be in Chicago this week, but he will be here long enough after his return, and, as promised, will see the newspaper men. It can be arranged when I get back.

Dr. Burgess.

FEDERAL RESERVE BANK

OF NEW YORK

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

Dear Doctor Burgess:

I have your letters of April 30th, May 14th and May 21st, all having been read with much interest, and none of them acknowledged because I have had no time for the routine mail. The following are the only comments that occur to me:

(1) A program for meetings of the Advisory Council should be prepared at least a month in advance to give them time to study.

(2) Any proposal to amend the Federal Reserve Act so as to eliminate the use of Federal Reserve funds for speculative purposes is a folly. We cannot identify the funds once they are borrowed, nor control their use. Attempts to do so will be fruitless and just cause trouble.

(3) I think we need none of us worry about credits to France by American bankers until they have got a complete and sound plan. I have myself talked with Governor Norman, Mr. Lamont, Morgan Harjes & Company, Clarence Dillon, the Paris representative of Blair & Company (Mr. Monet,) and others, and I think they all agree as to the unwisdom of any credit until there is a asound plan. None of our directors need have any anxiety on that score. If Morgan & Company should decide to consider lending them some money, they will certainly advise us in advance, and I shall expect my associates to keep in touch with them in New York.

I hope our rate change works out all right. There seems to be a note of doubt in your letter, but with prices declining, I cannot see ground for uneasiness. It was inevitable that large borrowings would be transferred to New York when the rate change was made, and the fact that our portfolio has been maintained indicates that we still have a grip on the market, which is as it should be. But you will have to look out for the June 15th maturities or we will have a money jam then. Some temporary purchases in the market may be necessary.

Many thanks for your fine letters, which keep me so well informed. I will be glad to hear how the golf match turned out. Please give my best to everyone at the office.

Sincerely yours,

Ben. Strong

Dr. W. Randolph Burgess,
c/o Federal Reserve Bank of New York,
New York.

FEDERAL RESERVE BANK

OF NEW YORK

Hotel du Cap d'Antibes,
Antibes, June 7, 1926.

Dear Doctor Burgess:

Your note of May 28th is just received.

I hope you will write me fully when you have time giving details of such report as Sprague and Hollander make on their return.

As I am now loafing and out of contact with things, there is no news to send.

Sincerely yours,

B.S.

Dr. W. Randolph Burgess,
c/o Federal Reserve Bank of New York,
New York.

12

notes PJ

FEDERAL RESERVE BANK

OF NEW YORK

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

Dear Dr. Burgess:

I find I have failed to acknowledge your letter of May 7th, and at this late date comments would seem rather stale.

If we get a record of the hearings subsequent to Dr. Miller's, which I have, it would interest me a good deal to read it and give me a little understanding of the situation in case I am called again.

It keeps my conscience easy to get such reports as yours. Otherwise I am likely to feel a bit of a slacker!

The reports in the newspapers and what I get from the office indicate that you are probably being puzzled a bit about the money market and the possibility of a revival of stock speculation. The situation will need watching. So long as we have a large portfolio, we have the situation in hand.

I noticed in Dr. Miller's testimony a statement that he thinks we are now carrying too many Governments. He is all wrong. The situation over here could develop overnight in such a way that we could get 200 or 300 millions of gold, and it is those Government securities that we must rely upon to protect us.

There is some growth in France of the idea that stabilization of the franc should be attempted at once, even though involving great sacrifice, and that it should be supported by, first, a Government loan in the United States, and second, the utmost freedom in using the Bank's gold reserve. If Germany should undertake cash payment of reparations to France, and France should undertake stabilization with Italy and Belgium following suit, and the wretched British coal strike not be settled, I could see quite a little gold going to

America. I admit the contingency is somewhat remote, but we cannot afford to be forced into a position where our only protective measure would be dissipated, because a high bank rate would not help us a bit, in fact would make matters worse, and a low bank rate might deliver us into the hands of the speculators. Our security through this period of readjustment over here is going to be eternal vigilance in looking ahead, and I see nothing in Dr. Miller's testimony which indicates that he is looking further ahead than the end of his own nose, nor indeed that he has a comprehension of the world monetary problem.

Sincerely yours,

Benj. Strong

Dr. W. Randolph Burgess,
c/o Federal Reserve Bank of New York,
New York.

Strong

BENJ. STRONG

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

Dear Dr. Burgess: X

Yours of June 4th is just received, and what you send is all very interesting. Dodge's article in the Federal Trade Information Service is not a patch on what we get over here, sample of which, from a newspaper at Nice, I am enclosing.

I will be interested in hearing the outcome of the Open Market Committee meeting in Washington, which I presume will be along now in a few days.

I am glad to get your letters. They keep me well informed.

Best regards.

Sincerely yours,

Benj. Strong

Dr. W. R. Burgess,
c/o Federal Reserve Bank of New York,
New York.

This article is protected by copyright and has been removed.

The citation for the original is:

Barral, Jean. “La Corde au Cou! [The Rope Around our Neck!]” L’Eclaireur du Soir (Nice, France), 1926.

The original clipping is preceded in the file by a typewritten translation into English.

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

Dear Doctor Burgess:

Your letter of June 10th regarding the Indian evidence reached me only yesterday. It does not call for any special reply, so I am merely acknowledging its receipt, with many thanks.

Sincerely yours,

Dr.W. Randolph Burgess,
c/o Federal Reserve Bank of New York,
New York.

BS:M

Dr Briggs

attended to July 23 WRB

Alpha Strong

FEDERAL RESERVE BANK

OF NEW YORK

Hotel du Cap d'Antibes,
Antibes, July 3, 1926.

Dear Dr. Burgess:

I am returning the proposed circular in regard to the ratio of bank capital. In its present form, it seems to me little likely to give rise to uneasiness such as I had feared at home. Either the text has been changed, or else a few weeks' rest here has made me less apprehensive in such things. I can see no objection to its publication.

Of course this appears as an official circular. Our official circulars, as a rule, have been confined to matters having to do with the operation of the Federal Reserve Bank, and it seems to me rather questionable to put what is really a magazine article in the form of an official Bank circular. It gives it a character that hardly strikes me as being justified. Why could it not go into the regular monthly bulletin instead?

Sincerely yours,

Benj. Strong

Dr. W. Randolph Burgess,
c/o Federal Reserve Bank of New York,
New York.

ans P.J.

770

CHIEF FOREIGN OFFICE
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RECEIVED
JUL 6 1926
P. J.

American Letter No. 409. July 3, 1926.

 For Clients Only.

Dear Sir:

1. In view of the many surmises as to Governor Strong's mission abroad, and with particular reference to stories that he has offered many millions of American Federal Reserve credits for stabilization of the Belgian, French and Italian currencies, we have had careful inquiries made, in various capitals, and the following may be regarded as authentic in all essentials:

a. Governor Strong has offered no Federal Reserve credits of any sort to France, to Belgium or to Italy.

b. Governor Strong has not seriously conferred with any political financiers. He has carefully avoided undertaking a function that is outside his line, although it is true that efforts were made by more than one Finance Minister to negotiate with him.

c. Governor Strong was not sent to Europe on a special mission by the President. He has been in conference with the heads of European banks that are correspondents of the Federal Reserve Bank of New York, as is customary.

d. The one special mission Governor Strong had in view was accomplished quickly. It was, it is intimated, strictly a British banking matter.

There have been some negotiations relative to French credits, but these negotiations were and are conducted by private persons.

2. AMERICAN POSITION: The American position in reference to French credits may be epitomized as follows:

It was one thing to grant credits to the Bank of England and it is another to grant them to the Bank of France. The former institution is free from all political coercion, although backed to the limit by the British Government, which is stable and economically sound. The latter institution, on the other hand, has recently been conducted on accepted principles only because of the heroism of its Governor, who was constantly subject to attack by political elements and who has finally been removed. Federal Reserve resources are the most sacred trust fund in America. The responsible authorities would not dream of committing the System to a credit program that would involve it in the vicissitudes of political currencies. Nor could they sanction credit operations in cases where Governments are obviously lacking in stability and where this instability is likely to reflect itself in arbitrary instructions to the banks of issue. Neither is it an American habit to pour money into rat-holes. It is to be recollected that even the arrangement for comparatively small credits to Belgium fell through.

3. PROMISES: Although no commitments of any kind have been made by America, and least of all a promise, there has been, and still is, a sort of understanding that both the United States and Britain are ready, when strong hands have taken strong measures, to assist in stabilization of depreciated European currencies. But the intent to stabilize must incontrovertably have been demonstrated in advance, as was the case with Germany. American authorities are ready to go a long way to bring all of Europe back to gold, but the first "rescue movements" must be from inside, not outside, the countries affected. The Federal Reserve System has almost unlimited capacity to aid through its ability to purchase foreign bills. It will be noticed that gold has been moving to Britain the past several weeks.

4. SITUATION: At this date, then: (a) No Federal Reserve credits for France, Italy or Belgium are under negotiation; (b) Responsible authorities do not believe that the French franc will be stabilized at 35 or 40 to the dollar. On the contrary, the best neutral opinion is that the franc, when stabilized, will be at the old par, approximately 5 to the dollar.

5. PROPAGANDA: It was natural, in view of speculative and other attacks on depreciated currencies, that the countries affected should have encouraged propaganda intended to give the impression that enormous American credits were being arranged; and that politicians, for domestic purposes, should have represented themselves as resisting exorbitant foreign demands. The facts, however, are as stated in the foregoing paragraphs.

6. TRANSPORTATION: There are three important situations before the Interstate Commerce Commission and they can be briefed seriatim:

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

Dear Doctor Burgess:

I have yours of July 2nd, with a fine report of what has been going on. Many thanks.

Mr. Warren is in communication with the Secretary of the Indian Currency Commission in regard to a supply of the complete printed report and testimony for circulation in America, and I will ask him to let you know the result .

I would like to see the galley of our statements before the House Committee whenever it is ready, and am glad that you all feel satisifed with it. A recent letter stated that the balance of the record of the hearings was being sent to me, but it has not yet come. I have Dr. Miller's complete statement, but nothing else.

What you write about the Stable Money Association is no more than I expected. Their activities trouble me, and I am wondering where the money comes from to maintain them.

I hope you are not all suffering from heat and overwork while I am loafing in this delightful place.

Sincerely yours,

Dr. W. Randolph Burgess,
c/o Federal Reserve Bank of New York,
New York.

BS:M

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

Dear Doctor Burgess:

There are so many letters to be written that I am just sending you this acknowledgment of your letters of July 9th and July 19th. I read them always with much interest.

You enclosed a memorandum about the First National Bank of Amityville, which reminds me that on this Witham Bank business, Mr. Case did a grand job. I think he deserves a medal from some of those banks who were coaxed out of their difficult and dangerous position.

Sincerely yours,

Dr. W. Randolph Burgess,
c/o Federal Reserve Bank of New York,
New York.

BS:M

Hotel de l'Europe,
Amsterdam, August 11, 1926.

Dear Doctor Burgess:

Governor Strong has asked me just to acknowledge for him the receipt of your letter of July 30th, about the market and business situation, which he read with much interest, as he always does your letters.

We are moving on to Basle tomorrow, where we expect to meet Dr. Bachmann of the Swiss National Bank. After that, plans are uncertain, and the Governor will perhaps return to Paris, or else go East to Budapest and Prague. Mr. Warren, who has become a real Parisian, will probably join us at Basle.

It looks as though we would not sail before September 15th or 22nd, but no doubt by the time this reaches you, the cables will have given you a better idea as to that.

With best regards, I am

Sincerely yours,

Dr. W. Randolph Burgess,
c/o Federal Reserve Bank of New York,
New York.

BS:M

FEDERAL RESERVE BANK

OF NEW YORK

Biltmore, N. C.
Sunday, January 9, 1927.

Dear Dr. Burgess:

You have, probably, escaped the lightning bolt - and if you like thunderbolts. I'm truly sorry. This is mainly to let you know that I have not and do not withdraw one word of what I said to you in my apartment. It is also to let you know that finding your own appointment not now possible, I am to-day unreservedly urging that Mr. McGarrah be appointed, and am also trying to persuade him to accept.

If knowledge of our good will, of our appreciation of your work, and worth, - is a satisfaction, - you have that in full measure, - and we all want you to know it. Get old and bald and grey - as some of us are - and stand by the ship. She needs you at the braces and halyards.

My best to you always,

Yours,

Dr. W. R. Burgess.

FEDERAL RESERVE BANK

OF NEW YORK

Received
FEB 18 1927
W.R.B.

Stuyvesant Road,
Biltmore Forest,
Biltmore, N.C., February 15, 1927.

Dear Doctor Burgess:

I am much interested in the memorandum of January 14th about European consumption. There are only two points that I will refer to now, as the probability of my dealing with the matter at present is rather remote.

One is to call attention to the fact that when examining a price factor in the prosperity of the classes producing these export goods in this country, one must bear in mind that we are not dealing with the total crop when considering exports, but merely with the marginal production which influences the price of the whole crop. If capacity to sell this marginal production is impaired for any reason, the suffering resulting to the entire producing community is caused by a comparatively small shrinkage in consumption. My belief has been that we are suffering from the arrest of the normal increase in consumption which should have occurred during the past seven years, rather than from an absolute contraction of the amount consumed before the War. This is commented upon in the second page of the memorandum, in referring to meat. The paradox of a great general price inflation, even considered on the basis of gold values, for manufactured goods which embrace a vast category of luxuries, at the same time that the values of necessities of life such as meat, cereals and cotton have declined, is something that needs explanation. At least, I am still "from Missouri". We will refer to this later.

Sincerely yours,

Benj. Strong

Dr. W. R. Burgess,
33 Liberty Street,
New York City.

[From Harrison Papers]

SC. 3. 1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE September 12, 1927

TO [Burgess ...]

SUBJECT:

FROM Governor Strong.

[See pp 15-17]
320.121 Alexander

To aid Mr. Alexander in considering the procedure leading up to the rate change inaugurated on July 29 by the Federal Reserve Bank of Kansas City, the following statement shows in chronological order the various meetings and other actions prior thereto.

May 9, a meeting of the Open Market Investment Committee was held in Washington at which a memorandum was submitted discussing this whole situation, and this resulted in the authorization of purchases of $100,000,000 Government securities in the open market, of which, however, only about $30,000,000 were purchased.

June 28, Dr. Rist and M. Ricard of the Bank of France arrived in New York, having come for the purpose of discussing the whole central bank problem and the relations between the European and American money markets.

July 1, Governor Norman of the Bank of England and Dr. Schacht of the Reichsbank arrived in New York for the same purpose. Following the arrival of these gentlemen continuous discussion took place as we immediately left New York and spent five or six days at a private house on Long Island.

July 6, Messrs. Norman, Schacht, Rist, Ricard and Strong went to Washington and spent most of July 7 in discussion with the members of the Federal Reserve Board, lunching with them at the Hotel Willard.

July 8, the members of the Open Market Committee, Messrs. Harding, Norris, Fancher, McDougal and Strong, together with Governor Crissinger, spent the day in New York, most of it devoted to a discussion of these same subjects with Messrs. Norman, Schacht and Rist. Thereafter the visitors from abroad left on different dates, the last, Governor Norman, sailing on July 20.

July 27, a meeting of the Open Market Investment Committee was held in Washington for the purpose of reviewing the situation, especially in the light of the meetings previously held, and because the authority to purchase securities up to $100,000,000 was expiring on August 1st. In addition to all the members of the Open Market Investment Committee and the members of the Federal Reserve Board then in Washington (Dr. Miller and Mr. Cunningham were away) there were present Governors Young of Minneapolis, Biggs of St. Louis.

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE September 12, 1927

TO

SUBJECT:

FROM Governor Strong

and Dr. Burgess of the Federal Reserve Bank of New York. Governor Bailey was in Washington the day previous when Governor Strong was also there, in order to discuss the situation with the Federal Reserve Board, and left at once for Kansas City as his meeting occurred the following day and he had to return in order to lay the matter before his directors. At this meeting of the Open Market Investment Committee a memorandum was submitted similar to theone submitted at the meeting of May 9.

Following this discussion, on July 29, the Federal Reserve Bank of Kansas City reduced its rate to 3 1/2 per cent. A few days later the Federal Reserve Bank of Boston reduced its rate, requesting the Federal Reserve Board to make the announcement simultaneously with the announcement of the rate reduction in New York when that occurred

On August 5, the Federal Reserve Bank of New York reduced its rate to 3 1/2 per cent., and that reduction, together with the Boston rate was announced on the same day.

The other changes were made in the following order:

Cleveland,	August 6
Dallas,	August 12
Atlanta,	August 13
Richmond,	August 16

On September 7, two meeting days having elapsed in Chicago, the Federal Reserve Board reduced the Chicago rate to 3 1/2 per cent. and announced it.

On September 8, Philadelphia reduced.

On September 10, San Francisco reduced.

Minneapolis

September 9 and 10, Governor Strong was in Washington on other matters having to do with the Treasury Department, his visit there having been arranged with Mr. Parker Gilbert prior to the action by the Federal Reserve Board in reducing the Chicago rate, and his visit there was not a result of the Board's action or in any way related to it.

[From Harrison Papers]

MISC. 3.1 60M 7-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE ~~September 12,~~ 1927

TO Dr. Burgess

SUBJECT:

FROM Governor Strong

(To be inserted at the proper place where there is a discussion of our attitude in regard to the Chicago change of rate.)

When Governor Crissinger and the members of the Open Market Committee were in New York Governor Crissinger suggested that he and I should visit Cleveland and Chicago for the purpose of meeting the directors of those two banks and explaining the situation personally. He raised the question again either by telephone or when I was next in Washington. I thought it over, consulted my associates here, and decided that it would be unwise for me to appear before the directors of any other Reserve bank for the purpose of discussing a rate change by that bank, and accordingly wrote Governor Crissinger, copy of my letter on that subject being among those accompanying this memorandum. [See p14

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 27, 1927

TO Dr. Burgess

SUBJECT:

FROM Governor Strong

The attached note from Lubbock explains itself. If you will make a note of the contents and send it back to me I will acknowledge it.

Noted with much appreciation
WRB.

Misc. 4 A 180 M 1-26

FEDERAL RESERVE BANK
OF NEW YORK

Mr Snyder
Can we — indicating not inquiry
W.R.B.

OFFICE CORRESPONDENCE

DATE October 27, 1927

TO Dr. Burgess

SUBJECT:

FROM Governor Strong

It would throw an interesting light on the German situation if we could get figures giving some analysis of the type of stuff Germany is importing during this year.

MISC. 4 A 126M-4-27

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 29, 1927 192

TO Dr. Burgess

SUBJECT:

FROM Governor Strong

Attached is a very interesting letter from Mr. Jay and the newspaper clippings referred to. Could you have someone go through these and mark the portions which are of sufficient consequence for me to read? Also will you be good enough to attend to the circulation of the letter within the office among those officers mentioned in Mr. Jay's letter, and then be sure that it all gets back to me, as I have not yet acknowledged it.

Burgess done
WRB

FEDERAL RESERVE BANK
OF NEW YORK

[OF]FICE CORRESPONDENCE

DATE December 1, 1927

[To] Dr. Burgess

[From] Governor Strong

SUBJECT:

Will you please read the article referred to in Governor Norman's letter and consider, with the other officers, whether the time has arrived for us to do something about it.

Mag. filed & indexed
in Library

[RECE]IVED-3 ... 11 00 AM '27
[DI]STRIBUTION OF MAIL
[FEDERAL] RESERVE BANK

PERSONAL

Grand Hotel,
Grasse, June 13, 1928.

Dear Dr. Burgess:

I don't dare cable you about matters in New York, for I am too much out of touch to risk any definite opinion. On the other hand, there is almost no news of myself to cable which would justify doing so.

A letter has just reached me from Dr. Charles Rist of the Bank of France, advising quite fully of the progress towards stabilization, and in it he refers to earmarking 50 millions more gold and drawing upon their outside deposits for $100,000,000 to increase their balances with us. The letter was a little ambiguous, and I am not sure whether the figures really express what they are doing.

This of course comes on top of pretty heavy gold shipments, our sales of securities and increased discount rates, and will give the Federal Reserve System the most complete control of the money market which it could desire.

I am always afraid at the Bank of hesitation and consequently delay in sudden changes of policy. I think we sometimes overlook the fact that the effects of any given program last for some time beyond the point at which they are discontinued, and that there is consequently a considerable lag in the effect of a change of policy being felt. There is a possibility, as you know, that later in the year England may take some gold from us. I doubt if they take more than half of their balances. On the other hand, the great change in money conditions in New York will have a tendency -

which it seems to me is already observable - to arrest exports of gold for exchange purposes. The situation presents some very interesting possibilities. Unfortunately, I am unable to get hold of up-to-date figures of our statement here, and that makes it even more difficult to have even a hazy opinion, but I want to make the following very tentative suggestion, with some hesitation.

It may appear necessary, in connection with these gold maneuvers by France and England, for us to take over a part of the portfolios, with the possible consequence that:

(a) An increase in our Government holdings will be shown;

(b) Some pretty heavy losses will be inflicted upon our best friends.

If the pressure on the money market gets to be too severe, it may be a good thing to show some relaxation in our position. And if we can adjust the position of our correspondents by taking over bills on which they will suffer no great loss, I should hope it would be done. But I am afraid of these losses on long-time Governments and for that reason have been urging that we keep the maturities as short as possible.

The main point of this letter is to suggest the need of watching carefully for evidences that the moment has arrived to change our position and begin to buy back some Governments in the market, as distinguished from what we may take over from our correspondents.

I am addressing this letter to you, although it was intended also for Mr. Mc Garrah and Mr. Case, partly because I have not written you in a long time and partly because I shall make it the excuse for advising you of the very admirable impression gained by our friends here from your visit. That applies to both Paris and London. I am sure you made a real contribution and that it was appreciated, and I hope you felt repaid by the interest of the meeting and the new contacts you made.

With warmest regards to all at the office, believe me

Sincerely yours,

P. S. - I enclose a copy of Dr. Rist's letter referred to above, as well as a copy of my reply.

Dr. W. R. Burgess,
33 Liberty Street,
New York.

BS:M

Royal Hotel,
Evian-les-Bains, July 18, 1928.

Dear Dr. Burgess:

With ample time for reflection, I am thinking about the change in the situation at home a great deal. The suggestion in this letter may already have been anticipated.

Since a year ago this time, there have been very considerable changes in the Reserve Bank position as to gold reserves, Government bond holdings, discounts, bills owned, on the one side; and on the other side, in currency outstanding. Unenlightened readers of our figures may casually conclude that the increase in our earning assets from under a billion to about 1½ billion dollars represents an expansion of Federal Reserve Bank credit. This we know is not the case. Why not make an analysis of every change of consequence in each item in our statement, that is, loss of over $400,000,000 of gold from the stocks of last September, sale of Government securities, the reduction in bills owned, reduction in currency outstanding, etc., and show that the increase in discounts, with the exception of a small part of it, is all accounted for by changes in our position which involve no expansion of our credit.

These figures would, I believe, be most enlightening to our directors and justify publication in our Monthly Review. How does it strike you?

Sincerely yours,

Dr. W. R. Burgess,
33 Liberty Street,
New York.
BS:M

correspondence re
lecture on file 741

Royal Hotel,
Evian-les-Bains, July 18, 1928.

Dear Dr. Burgess:

I am sending you a copy of a lecture delivered by Dr. Bachmann last month, together with his letter and my reply.

Obviously, the lecture cannot be published in its present form. Grammar, rhetoric, idiom and everything needs revision. Besides that, it needs to be recast a little bit in order to be of interest to the American reader. It is, however, to me a very interesting discussion of one of the rather obscure monetary problems over here and well worth publishing in one of the banking journals which has the proper class of readers. Besides that, Dr. Bachmann has a little liking for this sort of thing, and I would like very much to please him.

My suggestion is that you or one of your associates go over the article carefully and recast it, then write Dr. Bachmann that, at my suggestion, you have taken the liberty of putting it in form suitable for the American reader, and arrange to have it published if you can, not as the lecture itself but as a revision of a lecture delivered by Dr. Bachmann, etc. This will avoid any charge of disingenuousness if it should be read in Switzerland.

Dr. Bachmann is a very fine, upstanding member of the central banking fraternity and one of our best friends over here.

Best regards to you and all of the "gang".

Sincerely yours,

Dr. W. R. Burgess,
33 Liberty Street,
New York.
BS:M