

[From Benjamin Jr.]

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EQUITABLE BUILDING
NEW YORK

June 20th, 1916.

Dear Mr. Strong:

The trouble is the boys talk too much. I have been very uncomfortable for about a week but it does not come from any strain, as I am quite sure that I have not hurt my back again. I guess it is simply a let-down of my nervous system.

I thank you very sincerely for suggesting that I see your doctor and will do so should it be necessary. I feel very much better to-day and am sure that by resting as much as possible, it will only be a question of a few days before I will be all right.

You need have no anxiety regarding my being here and I sincerely hope that you will get away at the earliest possible moment, and I am sure that my worry over you is more or less responsible for the trouble with my back.

Faithfully yours,



Mr. Benjamin Strong, Jr.,
903 Park Avenue,
New York City.

LHH/VCM

I From Belling Jr

87

June 19th, 1916.

My dear Hendricks:

The boys tell me that your back has not been behaving well and I am writing to urge that you get at it right away, and energetically. Do not forget that you and some of the others at the office have been preaching to me about taking care of myself and I think it is appropriate and fair that I should take a lick at you now.

While I generally do not believe in recommending doctors to one's friends, if you are not having good attention, do not hesitate to call on Dr. T. Halsted Myers, 49 West 50th Street. He has straightened my back out on this last attack with just a few pulls and punches and he may be able to do the same for you.

I feel rather anxious about going away if you are not there and put it on selfish grounds, as well as friendship.

Sincerely yours,

L. H. Hendricks, Esq.,
604 Riverside Drive,
New York City.

BS Jr/VCM

[From B Strong]

604 Riverside Drive, New York.
September 10, 1916.

Mr. Benjamin Strong,
The Lewiston,
Estes Park, Colo.

B.A. Fr.
SEP 15 1916

Dear Mr. Strong:

Enclosed you will find a copy of a letter that was sent to a friend
of mine by Mr. Lyford which I thought might interest you.

Do not know if the Tribune published it or not.

Sincerely,



Why do the ~~bank~~ State banks refuse the oft repeated invitation to join the Federal Reserve system?

Some of them acknowledge that its note issuing powers insure stability of financial conditions, but say that they do not see any reason for contributing toward the cost- the National banks are taking care of that.

Does not the question thus arise, what are the National banks paying for the privilege(?) of membership in the Federal reserve system, and for stabilizing financial affairs?

The system has taken from these commercial banks so far over \$600,000,000. the larger share of which was income producing, not less than 2%, so the first cost as the loss of about \$1,000,000. per annum to the banks, is it not, and is it not also an economic loss to have several hundred millions of dollars idle?

It is admitted that the country banks are suffering a loss under the par remittance rule, some claim 20% to 30% of net earnings. What are the figures on that?

Reports of the Comptroller of the Currency for 1913 show net earnings of National banks about \$160,000,000. for 1915, \$113,000,000. a very large decrease, so large that no one can blame the banks for protesting against a rule which adds largely to the decrease of profits, especially when it means no pay for actual service rendered and the doing away with a legitimate charge, can they?

What will the loss of exchange figure?

There are over 7000 country banks and some 500 or more city banks, assets of the two classes not differing much, so it would be fair to claim that the country banks are earning about one-half of the net profits as shown by the Comptroller's reports, or \$50,000,000. to \$60,000,000. annually. Instead of figuring 20% or 30% loss, suppose we call it 10% or \$5,000,000. or \$6,000,000. would that not be fair?

These losses of interest and exchange must increase as more money is paid in by member banks, as required under the Act, and as more business is done through the Federal reserve banks, and if State banks should enter the system the loss would double, would it not?

Under the Aldrich-Vreeland bill, which held us safe for six years and in 1914 quieted one of the most serious financial disturbances we have ever had, the cost was about \$126,000. or a little over \$20,000. per annum.

Compare the figures.

Republican ideas as expressed by the Aldrich-Vreeland bill cost us \$20,000. per annum for a term of years; Democratic notions under the Federal reserve act costing us \$15,000,000. per annum, and more to follow as the years roll by.

As an insurance proposition isn't the rate far beyond reason and absolutely unnecessary?

Will some one tell us if the other features of the Act are so valuable for business needs that we should continue to pay every year \$15,000,000. and more for them?

{copy}

Signed. F.E. Lyford

[From B. Strong Jr. 787]

Estes Park, Colo.,

September 11th, 1916.

Dear Mr. Hendricks:

The statement of September 5th just reaches me, showing balances due through the Gold Settlement Fund of \$32,750,000. All the other banks, except Boston, Cleveland, Philadelphia and Richmond apparently have sent us unusually large amounts of New York exchange, resulting in our piling up \$27,000,000 of legal tender and silver certificates.

I take the liberty of suggesting that this situation ^{er}deserves a warning, unless, as may prove to be the case, some special circumstances have brought about this result. Possiblyy it is due to piling up exchange in New York in order to pay for the French and English loans.

Has not the time come when we should be advised daily or frequently, of quotations for New York exchange at the other reserve bank cities?

Since writing Mr. Treman on this subject a week ago, it occurs to me that it might be a good plan some time to give the Treasury Department people a practical demonstration of the weakness of our whole currency ^{situation} ~~administration~~ by asking them to redeem ten, fifteen or twenty millions of this "chicken feed" in gold certificates. You would hear a great howl, of course, and I only suggest it for discussion, believing that it may some day be necessary to pursue this course in order to force consideration of this weak spot in our system.

To L. H. Hendricks, Esq.

Sept. 11, 1916.

I would not hesitate to try and work up a plan with the big banks in New York by which you can get round amounts of exchange on the other Federal reserve cities from time to time and send some big offsets and see what effect that would have. Always bear in mind that the arrangement should not be a permanent one as otherwise, we would be liable to accumulate too much float.

I hope you all keep well at the office and not too busy. Please give all the boys my warmest regards and tell them I am thinking of them constantly.

Sincerely yours,

L. H. Hendricks, Esq.,
Assistant Cashier, Federal Reserve Bank,
Equitable Building,
New York City.

BS/VCM

[From B. Slony p. 7]
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Estes Park, Colo.,

September 15th, 1916.

My dear Mr. Hendricks:

It was mighty good of you to telegraph me in reply to my letter about the Gold Settlement operations. A later letter to Mr. Jay will indicate that I was not actually worrying about this matter, although, as you know, it has always given me some concern. I am sure it will straighten up and, as you say, it is a seasonal movement, -possibly combined with some special transfers in connection with the big foreign loans just negotiated.

Lyford's questionnaire, which I think it is doubtful the Tribune could have published, will give those attending the Kansas City Convention an opportunity to prepare in advance for the line of attack which he and some of his associate kickers will likely bring to bear.

Don't you think it would be a good plan to send a copy of this to all the Governors who propose attending the Convention, suggesting that they post themselves on these particular questions and be ready for Lyford and his pals when they let loose? Of those with whom I am in correspondence, I find that Wold and McDougal and, of course, Miller, will certainly be there. Aiken is considering going and I believe some of the other banks

To L. H. Hendricks, Esq.

September 15, 1916.

will likely send representatives. I suggest writing a confidential letter to each of the banks likely to send representatives, telling them of the origin of the article and suggesting that they make some preparation along the line of these questions.

I won't make any suggestions in this letter as the answers are all too obvious. It is well to bear in mind, however, on certain special points that the loss of exchange will be made up; that the tax paid on the Aldrich-Vreeland notes amounted to nearly \$3,000,000; that the difference between the earnings of 1913 and 1915 have no relation whatever to the Federal Reserve Act and can be readily explained by other factors and that the probable earnings of 1916 are the greatest in the history of banking in this country; that of the \$600,000,000 held by the reserve banks, the greater part never earned any interest, etc., etc. It strikes me that the whole article is ridiculous in the extreme and in the hands of some one understanding these matters, could be made to reflect very seriously upon Lyford's intelligence. I think the matter is worth following up only for use at the Convention, in case opportunity arises.

With best regards,

Sincerely yours,

L. H. Hendricks, Esq.,
Federal Reserve Bank,
New York City.

BS/VCM

[From B Strong 78]
604 Riverside Drive, New York,
September 17, 1916.
B.A. Jr.
Henderson
SEP 22 1916

Mr. Benjamin Strong,
Estes Park, Colo.

My dear Governor:

Your letter was most welcome and it is no wonder that you were disturbed at the large drain on us through the gold settlement fund.

It may be that having been present at Washington when the drain on New York was discussed so many times and from every angle was the reason I did not share the view held by many in the office that our gold holdings were about to disappear and it seems to me to have been rather unfortunate that we held up the other banks last week when our statement of the 15th shows very little silver or legal certificates on hand.

The Morgangold and large purchases of investments took all our clearing house certificates. It seems to me to be a good thing for us to have from \$15,000,000. to \$20,000,000. of clearing house certificates on hand as our transactions with the clearing house are pretty sure to be large. As it stands now we will have to pay in gold or exchange with some other bank, the result as far as we are concerned being the same.

As long as we can keep the larger part of our assets in gold a few millions in "chicken feed" is of small moment. It was probably a good thing to hold the other banks up as a warning of what might happen and it may slow some of them down a bit in their purchasing of New York exchange.

So long as our exports continue to be so large and to be paid for here in gold is there any way to prevent a large part of this gold going to the other parts of the country and is it not equally true that should our imports be very large, much of this same gold would find its way back to New York?

We are issuing all the Federal Reserve notes called for and are requiring the banks to give us gold for all new notes furnished and our expense account is on the rise. The Treasurer of the United States sent us a bill of \$12,000 odd

being cost of redeeming our notes and we will have to cancel and ship to Washington this week about 500,000 bills.

The check collection department is certainly doing a land office business as we are handling about 40,000 items daily and we feel that we are making progress in the organization but the things that 35 women can do to you are plenty.

A Baltimore bank sent us a check on Pittsburgh with a notation on it that it was immediately available as it was stamped collectible through the clearing house. This was a \$25,000. check and we returned it with advise that it was not available and came within the restriction placed on items on other districts endorsed by banks situated in still another district. This part of the work of the department has been much neglected as it has been impossible to give any attention to these matters. As soon as the department is running as it should my attention will be given to these other and more important matters for undoubtedly many items are going through that we should not accept and we should work out some direct routing for the large items.

Am leaving for Kansas City on Saturday of this week and feel a little guilty of shirking some of the work but on the other hand think I should go for many reasons. Will try and write you from there.

Keep up your courage and patience for we are all looking forward to your return. With warmest regard, I am, as ever

sincerely and faithfully yours,

L. K. Anderson

I From B. Clary
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Estes Park, Colo.,

September 22nd, 1916.

Dear Mr. Hendricks:

Thank you for your letter of September 17th. It is a poor way to spend Sundays, although I am delighted to get your letter, if it does not burden you to write them.

The serious thing about the movement of gold to the West through the Gold Settlement Fund has not yet really developed. While the foreign exchanges are favorable to New York and it is impossible for gold to move abroad, there will be little difficulty comparatively speaking, in working off our silver and legal tender notes whenever they happen to accumulate, because the domestic exchanges do not always swing in one direction. As we have repeatedly observed, with gold coming in and with other large operations going through the various accounts, we always get out of the hole some way or other. But suppose sterling exchange was adverse and London was taking gold from New York in sufficient volume to cause high money rates throughout the country, and under those conditions New York exchange is almost always at a premium at Chicago, Philadelphia and other important points, the most economical method of settling exchanges with the interior being through the Gold Settlement Fund, the Federal Reserve Bank of New York would be constantly shipping gold to the interior at the same time it was furnishing gold to the big banks and bankers of New York

To L. H. Hendricks, Esq.

Sept. 22, 1916.

for shipment to Europe. There would be no possibility of getting out of accumulating silver certificates and U. S. notes, except by presenting them to the Subtreasury for redemption. I figure from the statements sent me that since the 8th of August, the weekly adverse balances in the "Due To" accounts have totalled over \$40,000,000, all of which, of course, have not been settled but which might have been settled had every dollar been called for.

Your inquiry about the change in the balance of trade bears somewhat on this point, but I cannot see that it would leave any accumulation of gold in New York. It would likely give rise to the very conditions I have described.

Would you mind asking the boys to send me a memorandum of the Federal reserve notes outstanding, divided according to denominations?

I am very much interested in the details contained in your letter, particularly about the organization. I am surprised that things have gone as well as they have, with over 40,000 items a day going through. It is a big job and has certainly been well done, thanks to the hard work and loyalty of the men.

Sincerely yours,

L. H. Hendricks, Esq.,
Federal Reserve Bank,
Equitable Building,
New York City.

BS/VCM

[From B. Henry]

Denver, Colorado,
March 15, 1917.

Dear Mr. Hendricks:

Thank you for yours of the 7th. I had a long talk with Aiken, McDougal and McKay about this Seattle situation when I was in Chicago, and am satisfied from what they said that a lesson is to be drawn from this experience by all of the Reserve Banks. Two things seem to me to be apparent. One is that somewhere there is negligence in prompt forwarding and presentation of items. The other, that the Federal Reserve Banks have got to be careful in the kind of payment which they accept for items sent for collection. This situation cannot be followed up too dilligently to satisfy me and should be the subject of special consideration at the next Governors' Conference. Let me suggest that you take steps to have all the facts in shape for discussion at that meeting, as well as opinion of counsel on the subject of the liabilities involved. My belief is that there are three weak spots in our collection plan: One is the roundabout routing in the inter-district service where all items go from one Federal Reserve Bank to another, instead of by shorter routes which might in some cases be possible. The second weakness is the sending of items direct to the banks on which tye are drawn. And the third weakness is the inexact timing of items on the remoter sections of districts, as in the instance recently cited by Mr. Peple in the Richmond District. These occurrences lead me to urge that we go very slow in adopting that plan for furnishing member banks with Federal Reserve exchange.

Very sincerely yours,

L. H. Hendricks, Esq.,
Federal Reserve Bank,
New York City.

[From B. Slingsby]

Denver, Colorado,
March 30, 1917.

Dear Mr. Hendricks:

It was a great pleasure to have your letter of the 24th and another on the 26th.

First about that expense item, you must never forget that I have endeavored consistently, both as to my expenses and my salary, to avoid anything which would subject the bank or myself to criticism and at any cost that is the thing to do. The choice was given to me to put in a bill for all of my expenses and I preferred myself not to do so.

I do not understand your reference to Harding's speech, which I would like to see if you have a copy available.

I was particularly pleased and touched by your looking up Grandin. He is a bully boy, none better, and I can understand how keenly he appreciated a party with you for he has written me most enthusiastically. My oldest boy started for a mobilization camp today as he is in the National Guard at Princeton.

I am playing golf at last and it has set me up so that I feel like a fighting cock. There seems now little doubt that I will start for home around June first and I can hardly wait for the time to come.

I have written Mr. Treman about the Clearing House arrangement and hope we will not make a mistake by taking in some and leaving the others out. If most of them come in, we no doubt can coax a few recalcitrants into line.

With best regards and many thanks for your letters,

Faithfully yours,

L. H. Hendricks,
New York City.